92-2266

A	ACMAT CORP	10Q	03-31-92
B	ASI HOLDING CORP	10Q	03-31-92
C	CODA ENERGY INC	10Q	03-31-92
D	DELTA PETROLEUM CORP	10Q	03-31-92
E	FIRST LEESPORT BANCORP INC	10Q	03-31-92
F	FIRST GOLDEN BANCORPORATION	10Q	03-31-92
G	FIRST PEOPLES FINANCIAL CORP	10Q	03-31-92
H	GOLDEN CORRAL RESTAURANT JOINT VENTURES	10Q	03-31-92
I	HANDEX ENVIRONMENTAL RECOVERY INC	10Q	03-31-92
J	HAWK MARINE POWER INC	10Q	03-31-92
K	HEALTH CLUB TELEVISION NETWORK INC	10Q	03-31-92
L	LIBERTY MEDIA CORP	10Q	03-31-92
M	LINDBERG CORP	10Q	03-31-92
N	LUTHER MEDICAL PRODUCTS INC	10Q	03-31-92
O	RESOURCE GENERAL CORP	10Q	03-31-92
P	S2 GOLF INC	10Q	03-31-92
Q	SANDY SPRING BANCORP INC	10Q	03-31-92
R	SUNWEST FINANCIAL SERVICES INC	10Q	03-31-92
S	TECHNE CORP	10Q	03-31-92
T	TRI-NEM INC	10Q	03-31-92
U	U.S. ENVIRONMENTAL INC	10Q	03-31-92

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

RECD S.E.C.
MAY 1 5 1992
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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

492-2266

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

RECD S.B.C.
MAY 1 5 1992
144

Commission file number 0-6234

ACMAT CORPORATION

Connecticut
(State of Incorporation)

06-0682460
(I.R.S. Employer Identification No.

233 Main Street, New Britain, Connecticut 06050-2350
(Address of principal executive offices)

Registrant's telephone number including area code: (203) 229-9000

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes X No ________

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Class	Shares outstanding at April 30, 1992
Common Stock	716,725
Class A Stock	3,606,205

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Part I Financial Information
Item I Financial Statements

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

Assets	March 31, 1992	December 31, 1991
Investments:		
Fixed maturities	$ 90,542,345	85,995,822
Equity securities	2,060,250	2,087,313
Limited partnership investment	482,000	482,000
Short-term investments	6,405,270	7,515,044
Total investments	99,489,865	96,080,179
Cash and cash equivalents	4,527,473	4,938,722
Accrued interest receivable	1,822,300	1,876,686
Receivables, net	7,718,999	9,438,026
Costs in excess of billings on uncompleted contracts	2,257,547	1,813,674
Federal income tax receivable	75,166	75,149
Prepaid expenses	349,395	395,599
Deferred income taxes	740,971	230,986
Property & equipment, net	14,709,203	14,784,633
Deferred policy acquisition costs	1,954,161	2,311,586
Other assets	1,775,937	1,631,304
Intangibles, net	8,367,457	8,810,345
Organization costs, net	139,565	166,571
	$143,928,039	142,553,460

Liabilities & Stockholders' Equity	March 31, 1992	December 31, 1991
Notes payable to banks	$ 4,000,000	4,000,000
Accounts payable	2,101,531	1,865,328
Reserves for losses and loss adjustment expenses	27,690,478	26,233,595
Unearned premiums	8,950,615	10,607,109
Billings in excess of costs on uncompleted contracts	173,119	127,369
Cash collateral held	3,684,484	3,456,155
Other accrued liabilities	865,698.	1,390,508
Income taxes	246,339	146,649
Long-term debt	34,940,638	34,954,654
Total liabilities	82,652,902	82,781,367
Minority interests	28,515,939	27,563,872
Stockholders' Equity:		
Common Stock	752,008	753,908
Class A Stock	3,613,205	3,624,055
Additional paid-in capital	13,196,292	13,279,860
Retained earnings	15,336,842	14,675,255
Net unrealized loss on securities	(139,149)	(124,857)
Total stockholders' equity	32,759,198	32,208,221
Commitments and contingencies		
	$143,928,039	142,553,460

See Notes to Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Earnings and Retained Earnings

Three Months Ended March 31, 1992 and 1991

	1992	1991
Contract revenues	$2,020,387	1,731,460
Earned premiums	5,096,322	4,724,641
Investment income, net	1,458,602	1,426,601
Net realized capital gains (losses)	11,466	(249,581)
Other income	183,132	208,182
	8,769,909	7,841,303
Cost of contract revenues	1,851,607	1,396,173
Losses and loss adjustment expenses	1,528,897	1,366,960
Amortization of policy acquisition costs	806,848	696,032
Selling, general and administrative expenses	1,563,396	1,714,682
Interest expense	965,774	929,958
	6,716,522	6,103,805
Earnings before income taxes and minority interests	2,053,387	1,737,498
Income taxes		
Federal	416,760	393,839
State	10,200	32,857
	426,960	426,696
Earnings before minority interest	1,626,427	1,310,802
Minority interests	964,840	835,696
Net earnings	$ 661,587	475,106
Retained earnings at beginning of period	14,675,255	12,024,996
Retained earnings at end of period	$15,336,842	12,500,102
Net earnings per share	$.15	.11
Average shares outstanding	4,389,342	4,439,184

See Notes to Consolidated Financial Statements.

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Three Months Ended March 31, 1992 and 1991

	1992	1991
Cash flows from operating activities:		
Net earnings	$ 661,587	475,106
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	889,959	868,914
Minority interests	964,840	835,696
Net realized capital (gains) losses	(11,466)	249,581
Changes in:		
Accrued interest receivable	54,386	25,689
Receivables, net	1,719,027	(583,709)
Deferred policy acquisition costs	357,425	11,035
Billings in excess of costs, net	(398,123)	53,805
Prepaid expenses and other assets	(114,428)	(286,543)
Accounts payable and accrued liabilities	(288,607)	(560,939)
Cash collateral held	228,329	(162,585)
Reserves for losses and loss adjustment expenses	1,456,883	1,200,241
Income taxes,net	(410,312)	(260,039)
Unearned premiums	(1,656,494)	(440,276)
Net cash provided by operating activities	3,453,006	1,425,976
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Fixed maturities-sold	1,220,008	5,134,903
Fixed maturities-matured	3,434,000	7,578,150
Equity securities	-	1,329,624
Purchases of:		
Fixed maturities	(9,449,895)	(14,417,475)
Equity securities	-	(66,002)
Short-term investments, net	1,109,774	757,731
Payments for non-compete agreement	-	(860,000)
Capital expenditures	(67,808)	(236,924)
Net cash used for investing activities	(3,753,921)	(779,993)
Cash flows from financing activities:		
Payments on long-term debt	(14,016)	(12,726)
Payments for subsidiary stock	-	(274,581)
Payments for acquisition & retirement of stock	(96,318)	(257,837)
Net cash used for financing activities	(110,334)	(545,144)
Net increase (decrease) in cash and cash equivalents	(411,249)	100,839
Cash and cash equivalents at beginning of period	4,938,722	3,692,246
Cash and cash equivalents at end of period	$ 4,527,473	3,793,085

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

(1) Financial Statements

The consolidated financial statements include the accounts of ACMAT Corporation ("ACMAT" or the "Company"), its wholly-owned subsidiaries, ACMAT of Texas, Inc., AMINS, Inc. and Geremia Electric Co.; its 91% owned subsidiary ACSTAR Holdings, Inc. ("AHI") and AHI's wholly-owned subsidiary, ACSTAR Insurance Company ("ACSTAR"); and its 52.7% owned subsidiary United Coasts Corporation and its wholly-owned subsidiary, United Coastal Insurance Company. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and are unaudited.

The interim financial information contained in this report has been prepared from the books and records of the Company and its subsidiaries and reflects, in the opinion of the management of the Company, all adjustments (consisting of normal and recurring accruals) necessary to fairly present results of operations for the periods indicated. All significant intercompany accounts and transactions have been eliminated in consolidation.

These statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

(2) Investments

Investments in fixed maturities and equity securities were as follows:

	Carrying Value	Amortized Cost or Cost	Market Value
March 31, 1992			
Fixed maturities	$90,542,345	90,542,345	91,342,967
Equity securities	$ 2,060,250	2,306,070	2,060,250
December 31, 1991			
Fixed maturities	$85,995,822	85,995,822	87,641,125
Equity securities	$ 2,087,313	2,306,070	2,087,313

(3) Earnings per share

Earnings per share are computed using the weighted average number of shares of common stock outstanding for the period and reflects the common stock equivalency of outstanding stock options and warrants, if dilutive.

(4) Supplemental Cash Flow Information

Income taxes paid during the three months ended March 31, 1992 and 1991 was $837,272 and $686,733, respectively, and interest paid for the three months ended March 31, 1992 and 1991 was $965,774 and $536,208, respectively.

ACMAT CORPORATION

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net earnings increased 39% to $661,587 for the three-month period ended March 31, 1992 from $475,106 for the same period last year. The increase in net earnings from the prior period reflects improved earnings from the insurance operations which include an increase in earned premiums and a decrease in realized capital losses on equity securities. Capital losses realized during the three months ended March 31, 1991 resulted from the Company's decision to reduce its exposure to bank stocks.

Revenues

Contract revenues increased 17% to $2,020,387 from $1,731,460 during the three-month period ended March 31, 1992 as compared to the three-month period ended March 31, 1991. The lower gross margin on construction revenue in 1992 is reflective of the economy. Such upward and downward fluctuations are inherent in the industry and difficult to stabilize. The Company's construction contracting backlog at March 31, 1992 and 1991 was approximately $8,800,000 and $7,500,000, respectively, which reflects management's selective bidding practices and management's increased commitment of time to its insurance operations.

Premiums written for the three months ended March 31, 1992 were $3,439,828 compared to $4,362,364 for the three months ended March 31, 1991, a decrease of $922,536. A significant amount of the decrease is attributable to very stringent underwriting and pricing criteria. New business submissions continue to increase as a result of the strong demand for the Company's insurance products.

Earned premiums for the three months ended March 31, 1992 were $5,096,322 compared to $4,724,641 for the same period in 1991, an increase of $371,681. Unearned premium reserves are calculated on a pro-rata basis for the unexpired terms of the policies and bonds in force. Consequently, premiums written in prior periods as well as current periods will affect premiums earned in the current and future periods.

Net investment income increased to $1,458,602 for the three months ended March 31, 1992 from $1,426,601 for the three months ended March 31, 1991, an increase of $32,001. This increase is attributable primarily to the increase in average invested assets, offset, in part, by a decrease in the yield on the portfolio as a result of lower short-term market interest rates and an increase in tax-exempt investments. Investments were $99,489,865 and $84,302,081 at March 31, 1992 and 1991, respectively. This increase is attributable to the net cash flow generated by written premiums and the reinvestment of investment income. The Company maintains a conservative investment policy of acquiring high quality investments with fixed effective maturities of approximately five years or less.

Operating Expenses

Cost of contract revenues increased 33% to $1,851,607 during the three-month period ended March 31, 1992 as compared to $1,396,173 for the same period in the prior year. The lower gross margin in 1992 is reflective of the economy.

Losses and loss adjustment expenses were $1,528,897 for the three months ended March 31, 1992 compared to $1,366,960 for the three months ended March 31, 1991. Reserves for losses and loss adjustment expenses represent management's estimate of the ultimate cost of unsettled losses incurred to date relative to premiums earned. Amortization of policy acquisition costs was $806,848 during the three month period ended March 31, 1992 as compared to $696,032 for the three-months ended March 31, 1991. Policy acquisition costs, primarily commissions, are deferred and amortized over the policy term.

Selling, general and administrative expenses decreased to $1,563,396 during the three-month period ended March 31, 1992 compared to $1,714,682 during the three-month period ended March 31, 1991. This decrease in selling, general and administrative expenses reflects management's continued efforts towards reducing overhead costs during 1992.

Interest expense has increased to $965,774 during the three-month period ended March 31, 1992 compared to $929,958 during the same period a year ago. The increase is due to an increase in short-term borrowings.

Income tax expense was $426,960 during the three months ended March 31, 1992 compared to $426,696 during the same period a year ago, representing effective tax rates of 20.8% and 24.6%, respectively. The decrease in the effective tax rate from 1991 to 1992 relates primarily to increased tax-exempt interest income.

Liquidity and Capital Resources

Funds generated from operations have historically been sufficient to meet cash needs. However, during the past few years the Company significantly increased its long-term debt to finance its investments in its insurance operations and to renovate its corporate headquarters.

The terms of certain note agreements contain limitations on payment of cash dividends, re-acquisition of shares, borrowings and investments and require maintenance of specified ratios and minimum net worth levels. The Company was in compliance with all covenants at March 31, 1992.

Net cash flows provided by operations, principally from contract revenues and premium collections, amounted to $3,453,006 and $1,425,976 during the three-month periods ended March 31, 1992 and 1991, respectively. Net cash used for investing activities amounted to $3,753,921 and $779,993 during the three-month periods ended March 31, 1992 and 1991, respectively. Cash used for investing activities reflects net purchases of investments of $3,753,921 during the three-month period ended March 31, 1992 and net proceeds from sales of investments of $316,931 during the three-month period ended March 31, 1991. Purchases of investments are made based upon excess cash available after the payment of losses and loss adjustment expenses and other operating and non-operating expenses.

Fixed maturity sales of $1,220,008 and $5,134,903 during the three-month periods ended March 31, 1992 and 1991, respectively, are primarily the result of sales of fixed maturity investments with weekly put options which are held until appropriate permanent investments are made. The fixed maturity investments with weekly put options have interest rates which adjust weekly based on market rates at the time of adjustment. These investments generally trade at par value. ACMAT's insurance subsidiaries' cash flow from operations has permitted a steady growth in invested assets. The Company has experienced no difficulty in maintaining adequate levels of cash and short-term investments for the payment of contract expenses, claims and operating expenses as they come due.

At March 31, 1992, the short-term credit available to the Company was $8,000,000 of which $4,000,000 was outstanding. Treasury stock purchased during the three-months ended March 31, 1992 resulted in a reduction of stockholders' equity of $96,318.

Acquisitions

On September 12, 1991, the Company signed a Letter of Intent with the Sheet Metal Workers' National Pension Fund (Fund) to purchase 3,000,000 shares of United Coasts Corporation common stock held by the Fund for $16,500,000. Such purchase would be payable by a 30-year, unsecured, $16.5 million subordinated debenture yielding 11-½% interest convertible into ACMAT Corporation Class A shares at $11.00 per share.

As a result of this transaction, ACMAT Corporation and its subsidiaries would own 82% of the stock of United Coasts Corporation.

The transaction is subject to certain conditions, including the approval of certain debtholders, execution of a definitive purchase agreement and other necessary legal, government, corporation and pension fund regulatory approvals and/or exemptions.

Part II - Other Information

Item 6 - Exhibits and Reports on Form 8-K

a. Exhibits - None

b. Report on Form 8-K - None

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACMAT CORPORATION

Date: May 14, 1992

Henry W. Nozko, Sr., President and Chairman

Date: May 14, 1992

Henry W. Nozko, Jr., Executive Vice President
Chief Operating Officer, and Treasurer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Bep. 22610

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 33-23070

ASI HOLDING CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3465896 (I.R.S. Employer Identification No.)
1114 Avenue of the Americas, New York, N.Y. (Address of principal executive offices)	10036 (Zip Code)

Registrant's telephone number, including area code (212) 703-5100

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $.01 par value, outstanding at April 30, 1992	25,092,972 (shares)

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ASI HOLDING CORPORATION AND SUBSIDIARIES
SUMMARY STATEMENT OF OPERATIONS

ASI HOLDING CORPORATION ("Holding") is a Delaware corporation organized in March 1988, and it has as its only investment all the oustanding common stock of American Standard Inc. Hereinafter, "the Company" will refer to Holding or to its subsidiary, American Standard Inc., as the context requires.

The following summary statement of operations of the Company and subsidiaries for the three months ended March 31, 1992 and 1991 has not been audited by independent public accountants, but management believes that all adjustments, including normal recurring accruals, necessary to a fair statement for those periods have been included. Results for the three month period of 1992 are not necessarily indicative of the results for the entire year.

	(Unaudited) (Dollars in millions, except per share amounts) Three months ended March 31,	
	1992	1991
SALES	$ 901.0	$ 857.5
COSTS AND EXPENSES		
Cost of sales	672.0	643.9
Selling and administrative expenses	164.6	155.4
Other expense	2.8	4.7
Interest expense	69.7	74.8
	909.1	878.8
LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING METHODS	(8.1)	(21.3)
Income taxes	5.5	7.8
NET LOSS BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING METHODS	(13.6)	(29.1)
Cumulative effects of changes in accounting methods	-	(32.3)
NET LOSS	(13.6)	(61.4)
Preferred stock dividend	(3.7)	(3.3)
NET LOSS APPLICABLE TO COMMON SHARES	$ (17.3)	$ (64.7)
Loss Per Common Share:		
Loss from continuing operations before cumulative effects of changes in accounting methods	$ (.74)	$ (1.39)
Cumulative effect of changes in accounting methods	-	(1.38)
NET LOSS PER COMMON SHARE	$ (.74)	$ (2.77)
Average number of outstanding common shares and equivalents	23,339,253	23,242,913

See accompanying notes.

Item 1. Financial Statements (continued)

ASI HOLDING CORPORATION AND SUBSIDIARIES

SUMMARY BALANCE SHEET
(Dollars in millions)

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS		
Cash and certificates of deposit	$ 41.3	$ 105.4
Cash in escrow	2.2	2.6
Accounts receivable	543.9	469.3
Inventories	483.6	442.6
Other current assets	35.2	31.0
TOTAL CURRENT ASSETS	1,106.2	1,050.9
FACILITIES, less accumulated depreciation: March 1992 - $292.3 Dec. 1991 - $293.9	833.0	865.3
GOODWILL	1,144.6	1,208.4
OTHER ASSETS	151.1	145.9
	$3,234.9	$3,270.5
CURRENT LIABILITIES		
Short-term borrowings	$ 74.5	$ 63.2
Current maturities of long-term debt	166.2	119.0
Accounts payable	276.1	292.8
Accrued payrolls	110.6	109.6
Other accrued liabilities	258.4	225.2
Taxes on income	30.7	12.7
TOTAL CURRENT LIABILITIES	916.5	822.5
LONG-TERM DEBT	1,908.0	1,998.1
OTHER LIABILITIES	666.8	682.4
TOTAL LIABILITIES	3,491.3	3,503.0
Exchangeable preferred stock	121.2	117.5
STOCKHOLDERS' DEFICIT		
Common stock & capital surplus	203.1	203.9
ESOP shares	(13.6)	(15.0)
Subscriptions receivable	(4.0)	(4.0)
Accumulated deficit	(497.8)	(484.2)
Foreign currency translation effects	(65.3)	(50.7)
TOTAL STOCKHOLDERS' DEFICIT	(377.6)	(350.0)
	$3,234.9	$3,270.5

See accompanying notes.

ASI HOLDING CORPORATION AND SUBSIDIARIES
SUMMARY STATEMENT OF CASH FLOWS
(Dollars in millions)

	(Unaudited) Three months ended March 31, 1992	(Unaudited) Three months ended March 31, 1991
Cash provided (used) by operating activities		
Income-related:		
Loss before cumulative effects of changes in accounting methods	(13.6)	$ (29.1)
Depreciation	27.4	28.5
Amortization of goodwill	8.1	8.9
Non-cash interest	15.8	13.8
Accrued interest	22.1	21.6
Amortization of debt issuance costs	1.0	1.6
Non-cash stock compensation	6.5	6.8
	67.3	52.1
Changes in working capital invested in operations	(125.4)	(88.0)
Timing differences in funding, primarily income taxes	1.2	(25.4)
Net cash flow used by operating activities	(56.9)	(61.3)
Investing activities:		
Purchase of property, plant and equipment	(17.3)	(17.2)
Proceeds from disposals of property, plant and equipment	3.0	2.5
	(14.3)	(14.7)
Financing activities:		
Repayment of term loan	-	(25.0)
Use of revolver	8.0	83.0
Net change in short-term debt	6.3	(4.6)
Net change in other long-term debt	(1.5)	(3.0)
Common stock repurchases	(2.9)	(1.9)
	9.9	48.5
Decrease in cash and certificates of deposit excluding translation effects	(61.3)	(27.5)
Effect of exchange rate changes on cash and certificates of deposit	(2.8)	(1.3)
Net decrease in cash and certificates of deposit	$ (64.1)	$ (28.8)

See accompanying notes.

ASI HOLDING CORPORATION AND SUBSIDIARIES
NOTE TO SUMMARY FINANCIAL STATEMENTS

Note 1. Changes in Accounting Methods

At the end of 1991 the Company adopted Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FAS 106"), and No. 109, "Accounting for Income Taxes" ("FAS 109"). The provisions of FAS 106 were applied effective as of January 1, 1991, and the Company adopted the provisions of FAS 109 retroactively to the year ended December 31, 1989. As a result of these accounting changes, the previously reported net loss for the three months ended March 31, 1991, was restated as follows:

	(Dollars in millions) Three months ended March 31, 1991
Net loss as previously reported	$(49.3)
Adjustments for adoption of accounting changes-	
FAS 106:	
Cumulative effect through December 31, 1990, net of income tax benefit	(24.8)
FAS 109:	
Decrease in the provision for income taxes	8.2
Income tax benefit on the cumulative effect of the change in accounting for extended warranty contracts previously adopted in the first quarter of 1991	4.5
Net loss as restated	$(61.4)

In the first quarter of 1991 the Company adopted a change in accounting for extended warranty contracts to comply with the FASB Technical Bulletin, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". The $12 million cumulative effect on prior years (through December 31, 1990) of this change in accounting was recorded as a charge against income in the first quarter of 1991. In accordance with the provisions of FAS 109 the Company was able to record a tax benefit of $4.5 million against this charge.

Note 2. Pending Debt Offering

The Company has filed a Registration Statement with the Securities and Exchange Commission proposing to issue $400 million of Senior Notes and Senior Debentures. The proceeds of this offering will be used to pay down long-term debt under the Company's Credit Agreement with various banks. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources for more information.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

ASI Holding Corporation acquired American Standard Inc. on April 27, 1988. As a result of this acquisition, results of operations since that date include purchase price accounting adjustments and reflect a highly leveraged capital structure.

SUMMARY SEGMENT DATA
(Dollars in millions)
(Unaudited)

	Three months ended March 31,	
	1992	1991
SALES:		
Air Conditioning Products (a)	$ 404	$ 406
Plumbing Products	285	257
Transportation Products	212	194
Total sales	$ 901	$ 857
OPERATING INCOME:		
Air Conditioning Products (a)	$ 8	$ 14
Plumbing Products	26	20
Transportation Products	41	33
Total Operating Income	75	67
Financing and corporate items	83	88
Loss before income taxes and cumulative effects of changes in accounting methods	$ (8)	$ (21)

(a) In 1991 the Air Conditioning Products segment included sales of $30 million and operating income of $1 million from Tyler Refrigeration, which was sold in the third quarter of 1991.

Results of Operations: First Quarter of 1992 Compared with First Quarter of 1991

This section summarizes the Company's consolidated results of operations for the first quarter of 1992 and then discusses the results of its three operating segments. A substantial portion of Air Conditioning Products and Plumbing Products sales are for replacement and remodeling and, in the case of Plumbing Products, are outside the U.S. and Canada. Nevertheless, about 40% of Air Conditioning Products sales and 15% of Plumbing Products sales are affected by the level of residential and non-residential building activity, which remains very depressed in the U.S. and Canada. Housing starts in the U.S. have shown an improvement, which may indicate the start of a recovery.

Consolidated sales of $901 million increased by $44 million or 5% (8% excluding the effects of foreign exchange) from $857 million in the first quarter of 1991. Excluding the sales of Tyler Refrigeration from the 1991 first quarter, sales for the first quarter of 1992 increased by 9% (12% excluding foreign exchange effects). Sales increases of 11% in Plumbing Products and 9% in Transportation Products were the primary reasons for the gain. Sales for Air Conditioning Products were essentially flat for the first quarter of 1992 compared with the first quarter of 1991 including Tyler Refrigeration, but increased by $28 million, or 7% excluding Tyler Refrigeration.

Operating income of $75 million for the first quarter of 1992 increased by $8 million, or 12% (19% excluding the effects of foreign exchange) from $67 million of the first quarter of 1991. Excluding Tyler Refrigeration, operating income increased by $9 million or 14% (21% excluding the effects of foreign exchange). Increases in operating income for Transportation Products of 24% and for Plumbing Products of 30% were partly offset by a 43% decline in operating income for Air Conditioning Products.

Except as otherwise indicated, the following discussion, including the financial comparisons, does not include the results of Tyler Refrigeration.

Sales of Air Conditioning Products during the first quarter of 1992 increased by 7% (8% excluding the effects of foreign exchange) to $404 million from $376 million in the 1991 quarter, despite the continuing recession in U.S. and Canadian commercial and residential new construction. The increase was primarily due to higher volume for the International Group, principally in the Far East and Southeast Asia and for the Commercial Systems Group. The Unitary Products Group also experienced increases in sales volume in both residential and light commercial products.

Despite the higher volumes, operating income of Air Conditioning Products decreased by 38% (50% excluding the effects of foreign exchange) to $8 million from $13 million in the first quarter of 1991. The decline was primarily attributable to the Company's European operations which incurred nonrecurring costs related to the start-up of new facilities in France and England, costs of sales office expansion in Spain, France, and the U.K., and higher product development costs. The effects of volume increases in both the Commercial Systems Group and the Unitary Products Group were offset by a decrease in operating margins caused by competitive pricing pressures and changes in product mix.

Sales of Plumbing Products increased by 11% (15% excluding the effects of foreign exchange) to $285 million from $257 million in the 1991 quarter. The improvement resulted from a sales increase for the European Plumbing Products Group of 8% (15% excluding effect of foreign exchange), a 16% increase for the U.S. Plumbing Products Group and an increase for the International and Export Group of 14% (16% excluding the effects of foreign exchange). Gains for the European Group resulted primarily from increases in volumes and prices in Italy, increased product demand in eastern Germany and increased construction of low-cost housing throughout Germany and, to a lesser extent, from recovering demand in the depressed U.K. market. Increased sales for the U.S. Group reflected volume increases for products introduced in 1991. Sales increased in the International and Export Group primarily because of higher sales volumes in Mexico and Korea and in exports from the U.S.

Operating income during the first quarter of 1992 for Plumbing Products increased 30% (44% excluding the effects of foreign exchange) to $26 million from $20 million in the first quarter of 1991. The increase, which was primarily attributable to volume and margin improvements in Italy and, to a lesser extent, improvements due to higher volume for Korea and U.S. export sales, was partly offset by lower profitability in Canada resulting from the continuing recession, and in the Philippines where a two-week strike reduced productivity. Despite higher sales volume, operating income for the U.S. Group was up only slightly because of lower margins resulting from product mix changes and competitive pricing pressures.

Sales of Transportation Products increased 9% (16% excluding the effects of foreign exchange) to $212 million from $194 million in the 1991 quarter . The increase resulted from higher European vehicle production and higher sales of electronic automotive control products and spare parts. The market in Germany continues to be particularly strong as a result of the country's reunification. Sales were also higher in most other countries in Europe.

Operating income for Transportation Products increased 24% (41% excluding foreign exchange effects) to $41 million from $33 million in the first quarter of 1991. The substantial increase was due to higher sales volume, cost reductions, and increases in efficiency.

Financial Review

The Company's financing and corporate items for the first quarter of 1992 were $83 million, down from $88 million in the 1991 quarter. Interest expense, which accounted for most of these costs, decreased because of lower debt levels and the effects of foreign exchange.

The tax provision for the first quarter of 1992 was $6 million despite a pre-tax loss of $8 million. This reflects taxes payable on profitable foreign operations offset partly by a domestic tax benefit, as certain items on which deferred taxes had previously been provided became includable in taxable income and the deferred taxes were reversed. A similar pattern resulted in a tax provision of $8 million for the first quarter of 1991 despite a pre-tax loss for that quarter of $21 million. The unusual relationship between the pre-tax loss and the tax provision is explained by the non-deductibility for tax purposes of the amortization of goodwill and other purchase accounting adjustments and the share allocations made by the ESOP, as well as rate differences and withholding taxes with respect to foreign earnings.

At the end of 1991 the Company chose to adopt FASB Statement Nos. 106 — Employer's Accounting for Postretirement Benefits Other Than Pensions, and 109 — Accounting for Income Taxes ("FAS 106" and "FAS 109"). The effects of those accounting changes were first reflected in the financial statements for the year ended December 31, 1991. See Notes to Summary Financial Statements for a description of the effects of adoption of these accounting changes.

Liquidity and Capital Resources

Net cash flow used by operations in the first quarter of 1992 was $57 million, reflecting a seasonal increase in working capital which was met by using cash on hand at December 31, 1991, cash generated by income-related operating activities, and to a certain extent through the use of overdraft facilities outside the United States.

The Company has filed a Registration Statement with the Securities and Exchange Commission proposing to issue $150 million of Senior Notes due 1999 and $250 million of Senior Debentures due 2004 (the "Senior Securities"). The net proceeds of this offering with other funds of the Company will be used to pay down $400 million of long-term bank borrowings under the Company's Credit Agreement with various banks. The banks have agreed that 50% of any proceeds of the offering in excess of $300 million may be used for general corporate purposes including the purchase of the Senior Subordinated Debentures and the Discount Debentures. After giving effect to this offering and the application of the proceeds thereof, with other funds of the Company, approximately $20 million of scheduled principal payments on long-term debt will be due in 1992 and $73 million in 1993. In June 1993 the Company will be required to commence cash payments of interest of approximately $78 million annually on the Discount Debentures and cash dividends of approximately $18 million annually on the Company's Exchangeable Preferred Stock. The Company believes that after giving effect to the application of proceeds from the proposed offering and the amounts available from operating cash flows and under the Revolving Credit Facility will be sufficient to meet its expected cash needs at least through 1993, including planned capital expenditures.

The Credit Agreement contains various covenants that limit, among other things, indebtedness, dividends, rental expense, liens, capital expenditures, the use of proceeds from asset sales, and certain other business activities and require the Company to meet certain financial tests. Although the Company is currently in compliance with the covenants and restrictions contained in the Credit Agreement there have been a number of amendments to the Credit Agreement and waivers of its provisions, and additional amendments may be required in the future to ensure continued compliance. No assurance can be given that such amendments and waivers will be granted by the banks.

In March 1992 the Company obtained amendments to the Credit Agreement (the effectiveness of which, except for the amendments relaxing certain financial tests and covenants which have become effective, is subject to certain conditions), which among other things included: permitting the issuance of the Senior Securities; specifying the use of the proceeds therefrom; permitting a reorganization of certain foreign subsidiaries; and relaxing certain financial tests and covenants.

In addition, subject to the sale of at least $200 million of Senior Securities and receipt of requisite bank approval, the Revolving Credit Facility (the "Revolver") will be extended from June 1993 to June 1996. However, if less than $300 million of term loans outstanding under the Credit Agreement is prepaid by September 1993, the Revolver would only be extended to June 1994. (The $300 million prepayment condition will be satisfied concurrently with the Senior Securities offering by application of the proceeds of the offering.) In connection with the extension the Revolver will be reduced to $200 million from $250 million. As of March 31, 1992, there was $124 million available under the Revolver after reduction for $68 million of letters of credit outstanding thereunder (and assuming the effectiveness of the amendment reducing the Revolver to $200 million). In addition the Company's foreign subsidiaries had $166 million available under overdraft facilities. These foreign facilities can be withdrawn at any time.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K for the quarter ended March 31, 1992.

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASI HOLDING CORPORATION

By: /s/ G. Ronald Simon
G. Ronald Simon
(Vice President and Controller)
(also signing as Principal
Accounting Officer)

May 7, 1992

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASI HOLDING CORPORATION

By:

G. Ronald Simon
(Vice President and Controller)
(also signing as Principal
Accounting Officer)

May 7, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

C92-2266

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________.

For quarterly period ended **MARCH 31, 1992**

PROCESSED BY

MAY 18 1992

Commission File Number 0-10955

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CODA ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

75-1842480
(IRS Employer Identification No.)

9400 N. Central Expressway, Suite 500, Dallas, Texas 75231
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (214) 692-1800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject filing requirements for the past 90 days.

_✓_ Yes ____ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $.02 Par Value	8,617,231 Shares Outstanding at April 30, 1992

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PART I - FINANCIAL INFORMATION

FINANCIAL STATEMENTS

CODA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS
(IN THOUSANDS)

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,800	$ 1,881
Accounts receivable - less allowance for doubtful accounts of $199 and $195 at March 31, 1992, and December 31, 1991, respectively	2,930	4,073
Other current assets and deferred charges	777	912
	5,507	6,866
OIL AND GAS PROPERTIES (FULL COST ACCOUNTING METHOD)	47,006	46,776
Less accumulated depletion, depreciation and amortization	10,013	8,817
	36,993	37,959
OTHER PROPERTIES, net of accumulated depreciation of $250 and $223 at March 31, 1992, and December 31, 1991, respectively	796	765
OTHER ASSETS	273	271
	$43,569	$45,861

See Notes to Consolidated Financial Statements

CODA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 1,386	$ 1,748
Accounts payable and accrued interest	3,266	4,198
	4,652	5,946
LONG-TERM DEBT - Less current maturities	17,377	18,591
SENIOR SUBORDINATED DEBENTURES, net of unamortized discount of $237 and $240 at March 31, 1992, and December 31, 1991, respectively	916	913
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Common Stock, 20,000,000 shares of $.02 par value authorized; 9,137,487 and 9,134,365 shares issued at March 31, 1992, and December 31, 1991, respectively	183	183
Additional paid-in capital	20,403	20,324
Retained earnings, net of $39,663 eliminated June 30, 1989, in connection with quasi-reorganization	1,019	885
Treasury stock, at cost, 524,057 shares	(981)	(981)
	20,624	20,411
	$43,569	$48,561

See Notes to Consolidated Financial Statements

CODA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31,	
	1992	1991
REVENUES:		
Oil and gas sales	$4,158	$2,638
Gas marketing sales	1,356	1,111
Other income	72	222
	5,586	3,971
COSTS AND EXPENSES:		
Oil and gas production	1,973	1,165
Gas marketing purchases	1,265	1,073
Depletion, depreciation and amortization	1,225	975
General administrative	519	583
Interest	401	403
	5,383	4,199
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	203	(228)
INCOME TAX EXPENSE	69	—
NET INCOME (LOSS)	$ 134	$ (228)
NET INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE	$.02	$(.03)
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	8,613	8,978

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 134	$ (228)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	1,225	975
Loss on oil futures contracts	—	493
Other non-cash items	73	(10)
Effect of changes in:		
Accounts receivable	1,143	690
Other current assets	(32)	(130)
Accounts payable and accrued interest	(934)	(857)
Net cash provided by operating activities	1,609	933
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas properties	(370)	(3,231)
Proceeds from sale of assets	140	462
Investment in oil futures contracts	—	250
Investment in securities	(146)	—
Deposit refund	324	—
Notes receivable payments received	—	103
Other property additions	(60)	(36)
Other	15	(32)
Net cash used by investing activities	(97)	(2,484)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings	400	—
Repayment of debt	(1,976)	(1,910)
Repurchase of common stock	—	(679)
Retire senior subordinated debentures	—	(123)
Other	(17)	—
Net cash used by financing activities	(1,593)	(2,712)
DECREASE IN CASH	(81)	(4,263)
CASH AT BEGINNING OF PERIOD	1,881	8,747
CASH AT END OF PERIOD	$ 1,800	$ 4,484
SUPPLEMENTAL CASH FLOW INFORMATION - INTEREST PAID	$348	$349

See Notes to Consolidated Financial Statements.

CODA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock		Additional Paid-In	Retained Deficit Since	Treasury Stock	
	Shares	Amount	Capital	June 30, 1989	Shares	Amount
BALANCES DECEMBER 31, 1991	9,134,365	$183	$20,324	$885	524,057	$981
Shares issued as director compensation	3,122		10			
Utilization of net operating loss carryforward			69			
Net income				134		
BALANCES MARCH 31, 1992	9,137,487	$183	$20,403	$1,019	524,057	$981

Notes to Consolidated Financial Statements (Unaudited)

1. ACCOUNTING AND REPORTING POLICIES

The consolidated financial statements include the accounts of Coda Energy, Inc. ("Coda" or "the Company"), its majority-owned subsidiaries and its pro rata share of the assets, liabilities and operations of oil and gas partnerships and joint ventures. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior years' amounts to conform to the current year presentation.

The accompanying consolidated financial statements, which should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position as of March 31, 1992, and the results of operations and cash flows for the three months ended March 31, 1992, and 1991. The results for the three months ended March 31, 1992, are not necessarily indicative of results for a full year.

As of June 30, 1989, the Company affected a quasi-reorganization resulting in revaluation of certain assets and liabilities. Among other things, the Company eliminated accumulated depletion, depreciation and amortization existing on all properties at June 30, 1989, against the respective asset accounts and transferred the accumulated deficit of $39,563,000 and the cost of the canceled treasury stock to additional paid-in capital.

Fees from overhead charges billed to working interest owners, including the Company, of $335,000 and $267,000 for the three months ended March 31, 1992, and 1991, respectively have been classified as a reduction of general and administrative expenses in the accompanying consolidated statements of operations.

2. LONG-TERM DEBT

In March 1992, NationsBank favorably redetermined the Company's borrowing base. At March 31, 1992, the Company had $18,679,000 outstanding under its term loan and $3,500,000 available for borrowing under its revolving loan facility. The Company plans to use the revolving facility to fund the next phase of its development drilling program.

3. HEDGING OIL AND GAS PRICES

In an effort to reduce the effects of the volatility of the price of crude oil on the Company's operations, management has adopted a policy of hedging its oil and gas prices whenever futures prices are substantially in excess of the prices anticipated in the Company's operating budget and profit plan. The Company has hedged 10,000 barrels of oil per month at $20.66 through May 1992 through the use of a commodity swap with a financial institution. In April 1992, the Company effectively collared its oil prices between $17.00 and $20.50 per barrel on 40,000 barrels per month from May 1992 through April 1993 by selling call options and buying put options. The Company has hedged its gas price for May 1992 through April 1993 on 120,000 Mcf per month at an average price of $1.50 per Mcf through the use of a commodity swap. The Company has also sold call options on 60,000 Mcf per month of its gas for May 1992 through april 1993. The option price is $1.60 per Mcf. During the three months ended March 31, 1992, the Company produced approximately 54,000 barrels of oil and 290,000 Mcf of gas per month.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

From July 1, 1989, through March 31, 1992, the Company acquired an estimated 12.5 million barrels of oil equivalent ("boe") in proved reserves[1] while producing 2.4 million boe and disposing of an estimated 0.3 million boe during the same period. The Company paid an average of $3.33 per boe for these proved reserves after considering estimated future development costs. As a result of acquisitions and subsequent efforts to increase production from acquired properties, the Company's reserve base, as estimated by independent petroleum engineers, increased from 2.6 million boe at June 30, 1989, to 13.7 million boe at December 31, 1991, after revision of estimated quantities.

During this period, oil and gas net operating revenues increased significantly more rapidly than general and administrative expenses. As a consequence, the Company was able to recognize income from continuing operations in each fiscal year since July 1, 1989, after recording losses from continuing operations in each fiscal year from January 1, 1986, through June 30, 1989.

The Financial Accounting Standards Board adopted Financial Accounting Standard No. 109 "Accounting for Income Taxes" ("FAS 109") which requires the Company to use the liability method in providing for deferred income taxes for its fiscal year ending December 31, 1993. The Company has not yet quantified the impact of FAS 109 or determined at the time of adoption, whether prior years will be restated.

Results of Operations

Comparison of the Three Months Ended March 31, 1992, and 1991 (unaudited)

Oil and gas sales for the quarter ended March 31, 1992, increased $1,520,000 (58%) from the year earlier period, due primarily to a 156% increase in oil production as a result of the acquisition of producing oil and gas properties in the first three quarters of 1991. The increase was partially offset by a decrease in gas production of 21%. The Company's average gas price decreased from $1.67 in 1991 to $1.38 in 1992. Oil prices, net of hedging gains and losses, increased from $12.35 in 1991 to $18.41 in 1992.

Oil prices during the past two years have remained extremely volatile as a result of both the hostilities in the Middle East and the pricing and production decisions of the Organization of Petroleum Exporting Countries. Oil prices have ranged from $15.25 per barrel in June 1990 to $39.75 per barrel in October 1990 to a price of $18.00 per barrel at March 31, 1992. Gas prices, while not as volatile as oil prices, were at their lowest point in at least ten years during February 1992. During the quarter ended March 31, 1992, 71% of oil and gas revenues were attributable to oil production. The Company expects this level of production and product mix to continue.

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[1] Based on reserve estimates as of the dates of acquisition, not adjusted for subsequent revisions. See Item 1. Business - Oil and Gas Operations - Acquisition of Producing Properties.

In an effort to reduce the effects of the volatility of the price of crude oil on the Company's operations, management has adopted a policy of hedging oil prices whenever prices are substantially in excess of the prices anticipated in the Company's operating budget. The Company has hedged 10,000 barrels of oil per month at $20.66 through May 1992 through the use of a commodity swap with a financial institution. In April 1992, the Company effectively collared its oil prices between $17.00 and $20.50 per barrel on 40,000 barrels per month from May 1992 through April 1993 by selling call options and buying put options. The Company has hedged its gas price for May 1992 through April 1993 on 120,000 Mcf per month at an average price of $1.50 per Mcf through the use of a commodity swap. The Company has also sold call options on 60,000 Mcf per month of its gas for May 1992 through april 1993. The option price is $1.60 per Mcf. During the three months ended March 31, 1992, the Company produced approximately 54,000 barrels of oil and 290,000 Mcf of gas per month.

In July 1990, the Company formed a wholly owned subsidiary (now Alliance Natural Gas, Inc.), to market the Company's crude oil and natural gas as well as gas owned by unrelated third parties. Alliance owns and operates the gas plant acquired in connection with the Electra Acquisition. Future plans for Alliance may include the ownership and operation of additional gas pipelines, plants or gathering systems. Gas marketing gross profit increased from $38,000 for the quarter ended March 31, 1991, to $91,000 for the same period in 1992 (139%). The increase in gas marketing sales, purchases and gross profit reflects increasing marketing volumes and gas plant operations that began in July 1991. To date the results of operations from the activities of Alliance have not been material. However, Alliance's gas marketing activities have resulted in a substantial increase in consolidated gross revenues.

Other income for the three months ended March 31, 1992, decreased $150,000 (68%) from the year earlier period due primarily to a decrease in interest income. Interest income has decreased as a result of utilizing cash to acquire oil and gas properties resulting in lower cash balances to invest.

Oil and gas production expenses (including production taxes) for the three months ended March 31, 1992, increased approximately $808,000 (69%) from the year earlier period reflecting the effects of the increased production from the properties acquired during 1991. Oil and gas production expenses per boe have increased from $4.67 for the three months ended March 31, 1991, to $6.39 per boe in 1992. The increase reflects the relatively higher cost involved to operate the waterflood properties acquired at Burkburnett and Electra during 1991. The Company expects these increased levels of production expenses to continue.

Depletion, depreciation and amortization expense for the three months ended March 31, 1992, increased 26% from the year earlier period reflecting the increases in production from the acquisitions during 1991.

General and administrative expenses for the three months ended March 31, 1992, decreased $64,000 from the year earlier period primarily as a result of an increase in overhead charges billed to working interest owners, partially offset by increases in payroll and insurance. At March 31, 1992, the Company's staff numbered 31 full-time employees. Management does not anticipate a significant change in either staff levels or general and administrative expenses absent any significant acquisition of additional of oil and gas properties.

Interest expense for the three months ended March 31, 1992, increased $2,000 from the year earlier period reflecting the effects of the addition of indebtedness incurred to finance oil and gas property acquisitions, mostly offset by the reduction in the prime rate.

Net income for the three months ended March 31, 1992, increased $431,000 from the same period in 1991. The Company's net from oil and gas operations increased reflecting the net effect of increased production as a result of oil and gas property acquisitions.

Recent Property Sales

During the three months ended March 31, 1992, the Company sold approximately 19 of its lower value oil and gas properties in several states for a total of $140,000. The Company had operated, and received operating fees with respect to approximately 14 of the wells sold. The sale of these properties is not expected to materially affect the Company's results of operations.

Liquidity and Capital Resources

NationsBank Credit Agreement

In December 1989, the Company refinanced all of its existing bank indebtedness under a new Credit Agreement with NCNB Texas National Bank (now known as NationsBank of Texas N.A., "NationsBank"). The Company's borrowing base at May 1, 1992, under the term facility of its Credit Agreement equaled the total outstanding thereunder of $18,699,000. This facility can be increased, in NationsBank's sole discretion, to as much as $45,000,000. Subject to borrowing base limitations, $5,000,000 may be borrowed under a revolving facility. At May 1, 1992, $3,500,000 was available to be borrowed under the revolving facility. The Credit Agreement allows additional advances to be made at the discretion of NationsBank after its evaluation of the Company's oil and gas properties from time to time. Advances under either facility bear interest at NationsBank's prime rate plus 1/2%.

The Credit Agreement currently requires 75% of net operating revenues from the collateral be dedicated to loan service. Both dedication percentage and borrowing bases may be redetermined by NationsBank semi-annually. Any reduction in borrowing bases below the outstanding loan amounts must be made up, at the Company's option, either by the pledge of adequate additional oil and gas collateral (the Company does not currently have any substantial unpledged properties) or by mandatory reductions of the loan balances over a period of not more than six months. The Credit Agreement matures May 31, 1994. The Company believes that the dedicated operating revenues from the collateral will be adequate to fully repay this loan at maturity.

In March 1992, NationsBank favorably redetermined the Company's borrowing base. At March 31, the Company had $18,679,000 outstanding under its term loan and $3,500,000 available for borrowing under its revolving loan facility. The Company plans to use the revolving facility to fund the next phase of its development drilling program. The Company's next borrowing base redetermination is scheduled for October 1992. The Company will seek additional borrowing at that time based on the increased collateral values anticipated to result from the development drilling. However, there is no assurance that the development program will result in increased collateral values or that such values will enable the Company to borrow the funds needed to continue the program.

The Credit Agreement contains a number of covenants affecting the Company's liquidity and capital resources, including restrictions on the Company's ability to incur indebtedness or pledge assets outside of the loan facility, as well as the Company's ability to issue securities bearing fixed or variable payment obligations, and, in certain circumstances, restricts the payment of dividends on the Company's capital stock.

Anticipated Capital Spending

The Company has development drilling programs designed for the Burkburnett, McElroy and Electra properties acquired during 1991 at total projected costs of approximately $2.75 million, $3.25 million and $3.0 million, respectively. The properties will be developed in phases as funding becomes available. The next phase will entail spending $3.5 million to be allocated among the three projects. In addition, the Company is continuing to evaluate oil and gas properties for future acquisition.

Capital Resources

At March 31, 1992, the Company had cash and cash equivalents aggregating approximately $1,800,000 and working capital of $855,000.

The Company also is soliciting bids for selected portions of its existing oil and gas properties which it believes no longer fit into its long-range business plan. No substantial sales of properties, however, are currently under consideration. In addition, the Company is actively seeking additional funding sources (e.g. partnership investment, joint venture partners or equity capital) to support an aggressive reserve acquisition program, in light of the opportunities it believes are now available in the industry.

The Company has two principal operating sources of cash: (i) the portion of the net operating revenues from its oil and gas properties not dedicated to repayment of advances under the Credit Agreement, currently 25% of such revenues, and (ii) the fees charged for acting as operator of the wells in which it owns a working interest. The Company estimates that during 1992, assuming no acquisitions or dispositions, it will receive, on average, at least $200,000 per month from its 25% of net oil and gas revenue. The Company also estimates that it will generate approximately $110,000 per month in fees for acting as operator.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

11. Computation of per share data

(B) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CODA ENERGY, INC.
(Registrant)

By:
T. W. Eubank
President

Date: May 13, 1992

EXHIBIT 11

CODA ENERGY, INC.
COMPUTATION OF PER SHARE DATA
(UNAUDITED)
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	Three Months Ended March 31,	
	1992	1991
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:		
Net income (loss)	$134	$ (228)
Preferred stock dividend requirements		
Adjusted net income (loss)	$134	$ (228)
Weighted average number of common and common equivalent shares outstanding	8,621,915	8,978,109
Net income (loss) per share	$.0156	$(.0254)
COMPUTATION OF WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (DAILY BASIS):		
Weighted average number of common shares outstanding during period	8,612,915	8,978,109
Weighted average number of common stock equivalents prior to exercise and outstanding at end of period:		
	8,612,915	8,978,109

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992
Commission File Number 0-16203

92-2266

DELTA PETROLEUM CORPORATION /CO '
(Exact name of registrant as specified in its charter)

Colorado	84-1060803
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Suite 3310
555 Seventeenth Street
Denver, Colorado 80202
(Address of principal executive offices (Zip Code)

Registrant's telephone number, including area codes:
(303) 293-9133

Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

124,009,601 shares of common stock $.01 par value; 2,737 shares of Series B convertible preferred stock at $.10 par value were outstanding at May 28, 1992.

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PART I FINANCIAL INFORMATION

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Statements of Cash Flows: For the Three Month Periods Ended March 31, 1992 and March 31, 1991. 7

Notes to Financial Statements.......... 8

ITEM 2 MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.... 12

FINANCIAL INFORMATION

PART I

ITEM I. Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principals and complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (all of which are normal recurring accruals). Operating results for the three month period ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ended December 31, 1992.

DELTA PETROLEUM CORPORATION
Balance Sheets

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
Current Assets		
Cash in bank	$ 3,830	$ 330
Accounts receivable -trade	32,284	32,284
Loan receivable - affiliate	64,341	15,570
Other	4,433	8,866
Total Current Assets	104,888	57,050
Property and Equipment		
Proved oil and gas properties (using the full cost method of accounting)	3,013,720	3,096,609
Equipment	52,863	52,863
	3,066,583	3,149,472
Less accumulated depreciation and depletion	423,019	406,239
Net Property and Equipment	2,643,564	2,743,233
	$2,748,452	$ 2,800,283

See notes to financial statements.

DELTA PETROLEUM CORPORATION
Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
Current Liabilities		
Accounts payable - trade	$ 5,512	$ 5,512
Accrued liabilities	1,037	1,037
Note payable	37,181	37,181
Note payable - affiliate	31,057	42,536
Capitalized lease payable	5,966	5,966
Total Current Liabilities	80,753	92,232
Long Term Liabilities		
Note payable	34,774	42,355
Capitalized lease payable	9,221	9,221
Total Long Term Liabilities	43,995	51,576
Total Liabilities	124,748	143,808
Stockholders' Equity		
Preferred stock, $.10 par value, 3,000,000 shares authorized, Series B Convertible Preferred Stock, $.10 par value 1,987 shares issued and outstanding in 1991	199	199
Common Stock, $.01 par value 300,000,000 shares authorized, 124,009,601 shares issued and outstanding in 1991	1,240,096	1,240,096
Additional paid in capital	1,683,917	1,683,917
Deficit	(300,508)	(267,737)
Total Stockholders' Equity	2,623,704	2,656,475
	$ 2,748,452	$ 2,800,283

See notes to financial statements.

DELTA PETROLEUM CORPORATION
Statements of Income

	Three Months Ended	
	1992	1991
	(Unaudited)	(Unaudited)
Revenues		
Oil and gas	$ 30,179	$ 53,032
Other		2,866
Total Revenues	30,179	55,898
Expenses		
Lease operating expense, including taxes	6,754	12,962
Depletion and depreciation	16,780	23,750
Interest Expense	1,313	--
General and administrative - other	28,671	26,378
Professional fees	9,432	2,365
Bonus	--	22,000
Total Expenses	62,950	87,455
Income (Loss) From Operations Before Income Taxes	(32,771)	(31,557)
Income Taxes	--	--
Net Income (Loss)	$(32,771)	$(31,557)
Income (Loss) Per Common Share	$(.001)	$(.001)
Weighted Average Number of Common Shares Outstanding	124,009,601	110,841,402

DELTA PETROLEUM CORPORATION
Statements of Cash Flows

	Three Months Ended March 31,	
	1992 (Unaudited)	1991 (Unaudited)
Cash Flows From Operating Activities		
Net Income (Loss)	$(32,771)	$(31,557)
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, depletion and amortization	16,780	23,750
Increase in prepaid expense	--	(12,500)
(Increase) decrease in accounts receivable - trade	--	9,085
Decrease in accounts payable - trade	--	(2,335)
Decrease in other assets	4,433	3,706
Total adjustments	21,213	21,706
Net Cash Provided by Operating activities	(11,558)	(9,851)
Cash Flows From Investing Activities		
Development of oil and gas properties	--	(4,318)
Net Cash Flows From Investing Activities	--	(4,318)
Cash Flows From Financing Activities		
Issuance of common stock for cash	--	1,547
Borrowing of funds	34,118	25,500
Payment of bank and affiliate loan	(19,060)	(18,277)
Net Cash Flows From Financing Activities	15,058	8,770
Net Increase (decrease) in Cash in Bank	3,500	(5,399)
Cash at beginning of year	330	13,697
Cash at end of year	$ 3,830	$ 8,298

See notes to financial statements.

DELTA PETROLEUM CORPORATION
Notes to Financial Statements
March 31, 1992

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Company was incorporated in the State of Colorado on December 21, 1984 and has raised capital through the sale of stock. The Company is engaged in the business of acquiring and developing oil and gas properties.

During the period from July 26, 1990 through March 31, 1992 Chippewa Resources Corporation ("Chippewa") acquired 107,390,507 shares of common stock of the Company (representing 85.25 percent of the outstanding stock of the Company at March 31, 1992) through a series of transactions.

Income (Loss) Per Share

Income (Loss) per share was based on the weighted average number of common shares outstanding during the year with the additional assumption that all of the Preferred Stock were converted into common stock at the date of issuance.

Oil and Gas Properties

The Company follows the "full-cost" method of accounting for its investment in oil and gas properties and capitalizes all costs associated with property acquisition, exploration and development activities in one cost center, including internal costs that may be identified with those activities. No gains or losses are recognized on the sale or abandonment of producing oil and gas properties unless the transaction involves the sale of significant reserves. Total capitalized costs in the cost center are limited to the cost center ceiling, basically the estimated net realizable value of the properties.

Push Down Accounting

Between August 1, 1990 through March 31, 1992, Chippewa acquired 62,505,528 shares of Delta common stock of the above mentioned 107,390,507. Of the 62,505,528 shares of common stock, 17,164,848 shares were acquired from minority shareholders for $526,627 and 45,340,680 shares were acquired from Delta for $1,157,194. Chippewa's investment in the 62,505,528 shares of $1,683,821 is $538,055 more than Chippewa's book equity in the pro rata net assets of the Company at the date of Chippewa's acquisition of the common stock.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Push Down Accounting (Continued)

Therefore, under Accounting Principles Board Opinion #16, the $538,055 is "pushed down" on the Company's assets and, thus, the cost basis in the Company's oil and gas properties are increased by $538,055.

NOTE 2 ACCOUNTS RECEIVABLE

The amount $32,284 represents oil and gas production and operating fees which have not been collected as of March 31, 1992. Management believes that all trade receivables are fully collectable and, therefore, no allowance for doubtful accounts has been provided.

NOTE 3 JOINT VENTURES

On August 1, 1990, the Company entered into a joint venture arrangement with Chippewa, whereby all leases acquired by the Company and Chippewa in the State of Texas (which leases are prospective for horizontal drilling) shall be owned 95.00 percent by Chippewa nd 5.00 percent by the Company. In addition, the Company and Chippewa entered into a joint venture arrangement on a Colorado prospect which is owned 60.00 percent by Chippewa and 25.00 percent by the Company. Chippewa is the managing venturer and conducts operations. As of March 31, 1992, the Company's cost basis of $407,077 in the prospects has been recorded as part of the oil and gas properties.

NOTE 4 RELATED PARTY TRANSACTIONS

Effective August 1, 1990, the Company purchased from an affiliate various working interests in oil and gas properties for $230,000 of which $130,000 was in the form of a 12.00 percent promissory note issued by the Company of which $31,057 remains outstanding as of March 31, 1992. (See Note 5 - NOTES PAYABLE-Affiliate).

NOTE 4 RELATED PARTY TRANSACTIONS - (Continued)

Effective August 1, 1990, the Company entered into a management agreement with Chippewa whereby Chippewa receives $8,500 per month for providing the Company with management and other services on an as needed basis. These services include, but not limited to, office space, office equipment and management and office personnel. In addition, Chippewa and Delta have periodically made advances to each other and as of March 31, 1992, Delta is owed $64,341 by Chippewa.

NOTE 5 NOTES PAYABLE

12.0% promissory note secured by oil and gas properties.	$ 8,684
Non-revolving term loan with a bank prime plus 1 1/2 percent payable in installments of $2,523 for 6 months plus interest, $2,320 for 12 months plus interest, $1,610 for 12 months plus interest and $1,334 for 12 months plus interest and the note is collateralized by oil and gas properties; the Company and Chippewa entered into an agreement whereby the Company is being held harmless by Chippewa from any liability that exceeds 17.43 percent of the $450,000 term loan.	63,271
	71,955
Less current maturities	37,181
	$34,774

Affiliate

12.0% promissory note dated September 30, 1990, nonrecourse and secured by oil and gas production due to an affiliate on demand (See Note 4 - RELATED PARTY TRANSACTIONS).	$31,057

NOTE 6 CAPITALIZED LEASE PAYABLE

15.25% capitalized lease on equipment for 48 months at $483 per month beginning December 1, 1989.	$15,187
Less current maturity	5,966
	$ 9,221

NOTE 7 STOCKHOLDERS' EQUITY

Warrants

As of March 31, 1992, the Company has the following outstanding warrants:

Class of Warrant	Number Outstanding	Exercise Price of Shares	Expiration Date
D	41,400,000	$.0125	August 8, 1995
F	2,800,000	$.0250	August 8, 1995

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

As noted in Notes to the Financial Statements, the level of activity within the Company has increased substantially as a result of Delta's relationship with Chippewa Resources Corporation ("Chippewa") since July 1990 whereby Chippewa owns 85.25% of Delta at March 31, 1992. Comparisons of trends which might be drawn from the results set forth below may not be useful except to illustrate that the Company's size and level of activity has increased as a result of the relationship between Chippewa and Delta.

Under the August 1, 1990 agreement between Delta and Chippewa, the companies have made advances to each other and as of March 31, 1992 Chippewa owes Delta $64,341. During the three months ended March 31, 1992, Delta made advances to Chippewa of $91,382 and Chippewa repaid $42,611 to Delta.

1992 Compared to 1991

The Financial Statements report a net increase in cash of $3,500 for the three months ended March 31, 1991, as compared to a decrease in cash for three months ended March 31, 1991 of $5,399. As of March 31, 1992, the Company's current ratio was 1.30 to 1.00 as compared to .62 to 1.00 for the year ended December 31, 1991. The Company during the three months ended March 31,1992 sold no shares of common stock as compared to the three months ended March 31,1991 when the Company sold 30,395 shares of its common stock for $1,547 in cash and issued 7,929,276 shares of the common stock in exchange for a 25% working interest in oil and gas properties valued at $198,232.

During the three months ended March 31, 1992, the Company disposed of $89,882 of its oil and gas properties in payment of debt owed by Chippewa. In addition, during the three months ended March 31, 1992, the Company incurred no dollars in developing oil and gas properties as opposed to $4,318 during the three months ended March 31, 1991.

The Company expects to continue to acquire and develop oil and gas properties and it anticipates the funds will come from equity funding through its parent, Chippewa, sales of oil and gas production and long-term financing. The Company's ability to accomplish the aforementioned is largely dependent upon the successful funding and, therefore, there is no assurance as to the level of activity during 1992.

The valuation of the Company's proven and unproven oil and gas properties and production could vary significantly and is dependent upon many external factors. As such, the Company may be subject to a write down of oil and gas properties in the future as happened during 1991. The price of oil and gas has a direct impact on the Company's ability to raise funds necessary to carry out the above activities and thus the future remains uncertain.

Results of Operation

The Statement of Income reports a loss for the three months ended March 31, 1991 of $32,771 based upon revenues of $30,179 as compared to a loss for the three months ended March 31, 1991 of $31,557 based upon revenues of $55,898. Expenses decreased from $87,455 in 1992 to $62,950 for 1991 primarily as a result of a decrease in depletion and depreciation of $6,970 and a decrease in general and administration expenses.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELTA PETROLEUM CORPORATION
(Registrant)

Aleron H. Larson, Jr.
President

Date: May 28, 1992

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(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession. Not Applicable.

(4) Instruments Defining the Rights of Security Holders, Including Indentures. Not Applicable.

(11) Statement Regarding Computation of Per Share Earnings. Not Applicable.

(15) Letter Regarding Unaudited Interim Information. Not Applicable.

(18) Letter Regarding Changes in Accounting Principals. Not Applicable.

(19) Previously Unfiled Documents. Not Applicable.

(20) Report Furnished to Security Holders. Not Applicable.

(23) Published Report Regarding Matters Submitted to Vote of Security Holders. Not Applicable.

(24) Consents of Experts and Counsel. Not Applicable.

(25) Power of Attorney. Not Applicable.

(28) Additional Exhibits. Not Applicable.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

__X__ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended March 31, 1992, Or

892-22666

_____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from ______________ to ______________

Commission File Number 0-14555

FIRST LEESPORT BANCORP, INC.
(Exact name of Registrant as specified in its charter)

PENNSYLVANIA	23-2354007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

RECEIVED MAY 18 1992

133 North Centre Avenue, Leesport, Pennsylvania 19533
(Address of principal executive offices) (Zip Code)

ML 5/20

(215) 926-2161
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock ($10 par value)	397,057 Shares

Page 1 of 10 Pages
Exhibit Index on Page 9

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST LEESPORT BANCORP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

	(in thousands) March 31, 1992	Dec. 31, 1991
ASSETS		
Cash and due from banks	$ 3,153	$ 3,514
Int. Bearing Deposits with Banks	50	0
Investment securities:		
U.S. Treasury	7,003	4,705
U.S. Government Agencies	10,801	12,073
State and municipal	9,003	9,119
Other bonds	1,131	522
Total Investments	27,938	26,419
Federal funds sold	5,871	4,141
Loans, net of unearned discount	80,208	81,788
Less allowance for possible loan losses	(1,021)	(1,042)
Net loans	79,187	80,746
Bank premises and equipment	1,990	1,973
Other Real Estate Owned	463	0
Other assets	1,808	1,580
Total Assets	$ 120,460	$118,373
LIABILITIES		
Demand deposits	$ 9,996	$ 9,956
NOW and Money Market Accounts	26,471	25,926
Savings deposits	17,611	15,974
Time deposits	52,482	53,501
Total Deposits	106,560	105,357
Accrued interest payable	634	746
Other liabilities	962	248
Total Liabilities	108,156	106,351
STOCKHOLDERS' EQUITY		
Common stock, $10.00 par value per share; authorized 2,000,000 shares, issued 400,000; and outstanding 1992-397,057 shares; 1991-396,037 shares	$ 4,000	$ 4,000
Surplus	2,010	2,008
Retained Earnings	6,415	6,176
	12,425	12,184
Less Cost of Treasury Stock	(121)	(162)
Total Stockholders' Equity	12,304	12,022
Total Liabilities and Stockholders' Equity	$ 120,460	$118,373

The accompanying notes are an integral part of these condensed financial statements.

FIRST LEESPORT BANCORP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	(in thousands) Three Months Ended March 31, 1992	1991
INTEREST INCOME		
Interest and fees on loans	$ 2,139	$ 2,081
Interest on federal funds sold	48	59
Interest on investment securities:		
U.S. Treasury	90	186
Government Agency	186	144
State and Municipal	154	184
Other Bonds	34	33
Total Interest Income	2,651	2,687
INTEREST EXPENSE		
Interest on deposits	1,269	1,478
Total Interest Expense	1,269	1,478
INTEREST MARGIN	1,382	1,209
Provision for loan losses	125	230
Interest margin after provision for loan losses	1,257	979
OTHER INCOME (EXPENSE)		
Service charges on deposit accounts	66	43
Gains (Losses) on securities transactions	0	0
Other operating income	27	30
Total Other Income	93	73
OTHER EXPENSES		
Salaries, wages, and employee benefits	477	414
Occupancy expense	50	49
Furniture and equipment expense	43	51
Other operating expense	358	316
Total Other Expenses	928	830
Income before income taxes	422	222
Applicable federal income tax expense	98	14
Net Income	$ 324	$ 208
PER SHARE DATA		
Based on average shares outstanding	396,498	393,567
Net Income	$.82	$.53
Dividends	$.25	$.23

The accompanying notes are an integral part of these condensed financial statements.

FIRST LEESPORT BANCORP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	(in thousands) Three Months Ended March 31, 1992	 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 324	$ 208
Provision for possible loan losses	125	230
Provision for depreciation and amortization	40	39
Net amortization of investment security premiums and discounts	6	5
CHANGE IN ASSETS AND LIABILITIES:		
Accrued interest receivable	(52)	(5)
Other assets	(294)	24
Accrued interest payable	(112)	(85)
Other liabilities	707	(58)
Net cash provided by operating activities	744	358
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	1,581	1,973
Purchase of investment securities	(3,100)	(1,803)
Federal funds sold, net	(1,730)	(3,542)
Loans made to customers, net of principal collected	1,066	847
Purchases of bank premises and equipment	(17)	(40)
Net cash (used in) investing activities	(2,200)	(2,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	1,203	1,254
Proceeds from sale of common stock from the treasury	41	74
Dividends paid	(99)	(91)
Net cash provided by financing activities	1,145	1,237
Increase (decrease) in cash & due from banks	(311)	(970)
Cash and due from banks: Beginning	3,514	4,152
Ending	$3,203	$3,182
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAYMENTS FOR:		
Interest paid to depositors	$1,381	$1,562
Interest paid on other debt	$ 0	$ 1
Income taxes	$ (100)	$ 101

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

2. The results of operations for the three-month periods ended March 31, 1991 and 1992 are not necessarily indicative of the results to be expected for the full year.

3. Per share data is based on the average number of shares outstanding of 393,567 for 1991 and 396,498 for 1992.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Company's total resources grew to $120,460,000 at March 31, 1992, up from $114,303,000 at March 31, 1991. This increase, $6,157,000, or 5.4%, consisted mainly of growth in the loan portfolio. The loan portfolio increased by $4,584,000 net of an increase in the allowance for loan losses. Net loans increased from $74,603,000 at March 31, 1991 to $79,187,000 at March 31, 1992, an increase of 6.1%. Included within this growth is a net increase of $271,000 in the allowance for possible loan losses necessitated by management's continuing review of the portfolio and recommendations by regulatory examiners.

Also within the growth in total assets is establishment of an other real estate account for property on which the Bank foreclosed during the first quarter of 1992. As of March 31, 1992, the account included property having an approximate fair market value of $463,000.

The federal funds sold portfolio increased by $423,000, or 7.8% from $5,448,000 to $5,871,000 from March 31, 1991 to March 31, 1992. Although this total may vary from day to day, the trend during the past year has been toward increased liquidity.

Contributing to this liquidity has been the deposit portfolio which has increased by 4.8% between March 31, 1991 and March 31, 1992. This growth, $4,880,000, has been primarily in short-term, interest-bearing instruments such as NOW accounts, money market accounts, and savings accounts. These categories of deposits, combined, increased by $8,240,000, or 22.9%, which more than offset the decrease in time deposits of $2,977,000 experienced during the same period.

Within the investment portfolio, some redistribution has occurred. U.S. Government Agency issues amounted to only 22.6% of total investments at March 31, 1991. As of March 31, 1992, this category, as a percentage of the portfolio, had increased to 38.7%. This growth was the result of purchasing adjustable-rate, mortgage-backed, pooled securities guaranteed by agencies during the second and third quarters of 1991 in an attempt to rate-sensitize a portion of the portfolio. Funding for these purchases came from the sale of selected bonds in the U.S. Treasury and state and municipal bond categories. Taken together, these categories have decreased by $3,955,000 from March 31, 1991 to March 31, 1992.

Total Stockholders' Equity increased from March 31, 1991 to March 31, 1992 by $680,000, or 5.8%. Growth in this account is through earnings of the Bank not paid as dividends. This total, $12,304,000 at March 31, 1992, was 10.2% of total assets, up slightly from 10.1% of total assets at March 31, 1991. Included within this increase is a reduction in the amount of Treasury Stock held by the company from $231,000 at March 31, 1991 to $121,000 at March 31, 1992.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Results of Operations

The interest margin for the quarter ended March 31, 1992 was $1,382,000 before the provision for loan losses, up from $1,209,000 for the first quarter of 1991. Comprising this net increase is a decrease of $36,000 in total interest income and a decrease of $209,000 in total interest expense during the quarters ended March 31, 1991 and March 31, 1992.

As a result of the growth in the loan portfolio discussed above, interest and fees on loans increased by $58,000 from the quarter ended March 31, 1991 to the quarter ended March 31, 1992. This growth, 2.8% was considerably less than the loan growth of 6.1%. The overall decline in interest rates caused this imbalance, and net loan yield shrank from 11.2% at March 31, 1991 to 10.8% at March 31, 1992.

During this time, the total interest expense decreased from $1,478,000 to $1,269,000, or $209,000 representing 14.1%. This decrease, also caused by the general decline in interest rates, resulted in the net yield on deposits decreasing from 5.8% at March 31, 1991 to 4.8% at March 31, 1992.

The decrease in interest rates combined with some redistribution in the investment portfolio negatively affected the yield on investments. The yield fell from 7.9% at March 31, 1991 to 6.6% at March 31, 1992. These yields do not include the effect of tax-exempt interest.

In spite of the falling yields, and boosted by a reduced provision for loan losses, the net margin after the provision grew to $1,257,000 at March 31, 1992, up $278,000, or 28.4%, from the $979,000 total after the first three months of 1991. As a percentage of earning assets, the net interest margin was 5.30% at March 31, 1992, compared with 4.90% at March 31, 1991.

Total other income increased by $20,000 during the first three months of 1992 when compared with 1991 figures. Contributing to the increase was a $23,000 increase in service charge income during the reported periods. This is a direct result of a new service charge schedule established in the fourth quarter of 1991.

Total other operating expenses increased by $98,000, from $830,000 to $928,000 during the periods ending March 31, 1991 and March 31, 1992, respectively. Included within this category is an increase of $63,000 in salaries & benefits, and an increase of $42,000 in other operating expenses. Helping to offset these increases is a net decrease of $7,000 in total occupancy & equipment expenses during the periods.

Income before taxes grew by $200,000, or 90% during the two periods and resulted in federal income tax expense increasing by $84,000 from the period ended March 31, 1991 to the period ended March 31, 1992. Throughout these two time frames, earnings per share increased by 54.7% from $.53 per share at March 31, 1991 to $.82 per share at March 31, 1992.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST LEESPORT BANCORP, INC.
(Registrant)

Dated: May 12, 1992

By ______________________
John T. Connelly
President and
Chief Executive Officer

Dated: May 12, 1992

By ______________________
Frederick P. Henrich
Treasurer and
Chief Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15 (d) of the Securities Exchange Act of 1934.

For Quarter Ended 3/31/92 Commission File No. 0-7463

FIRST GOLDEN BANCORPORATION

F92-2266

(Exact name of registrant as specified in its charter)

Delaware	84-0632356
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1301 Jackson Street, Golden, Colorado 80401

(Address of principal executive offices)

Registrant's telephone number, including area code:

(303) 279-4563

PROCESSED BY
MAY 19 1992

Not Changed

Former name, former address and former fiscal y[illegible] changed since last report.

Microfilmed by
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes ✓ No ___
(2) Yes ✓ No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 11, 1992.

Common Stock 1,366,932

PART I–FINANCIAL INFORMATION
Item I–FINANCIAL STATEMENTS
March 31, 1992

FIRST GOLDEN BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	MARCH 31, 1992	JUNE 30, 1991
ASSETS		
Cash and due from banks	$13,610,397	$11,333,060
Federal funds sold	18,970,000	11,705,000
Cash and cash equivalents	32,580,397	23,038,060
Interest bearing deposits	0	746,824
Investment securities:		
U.S. Government securities	46,009,329	45,849,965
Obligations of states and political subdivisions	15,241,498	16,367,499
Federal Reserve Bank Stock	301,150	298,600
Other Investments	62,505,641	44,378,277
Loans	96,414,297	97,294,231
Less: Allowance for loan losses	(3,889,155)	(3,406,018)
Net loans	92,525,142	93,888,213
Bank premises and equipment less allowance for depreciation	1,749,941	1,795,938
Other real estate owned	2,275,869	3,715,446
Cost of purchased subsidiaries in excess of net assets	792,339	792,339
Other assets	2,780,269	2,632,646
TOTAL ASSETS	$256,761,575	$233,503,807
LIABILITIES		
Deposits:		
Money market accounts	$41,499,150	$39,153,328
N.O.W. accounts	49,594,879	41,272,202
Other demand accounts	41,632,887	35,020,363
Savings	32,300,887	22,166,617
Time Certificates $ 100,000 & over	12,274,322	14,755,895
Other Time Certificates	53,752,054	57,528,753
TOTAL DEPOSITS	231,054,179	209,897,158
Short-term borrowings	2,273,334	2,320,186
Long-term debt	3,657,606	3,969,143
Accrued expenses and other liabilities	1,445,913	1,417,081
TOTAL LIABILITIES	238,431,032	217,603,568
STOCKHOLDERS' EQUITY		
Common Stock	68,347	68,347
Capital Surplus	885,778	885,778
Retained earnings	17,376,418	14,946,114
TOTAL STOCKHOLDERS' EQUITY	18,330,543	15,900,239
TOTAL LIABIL'TIES AND STOCKHOLDERS' EQUITY	$256,761,575	$233,503,807
MARKET VALUE OF INVESTMENT SECURITIES:	$127,232,892	$108,959,939

See accompanying Notes to [illegible]

CONSOLIDATED STATEMENT OF EARNINGS
(UNAUDITED)

	Nine Months ended March 31,		Three Months ended March 3	
	1992	1991	1992	1991
INTEREST INCOME:				
Loans	$7,786,625	$8,221,196	$2,540,395	$2,652,41
Taxable investment securities	6,268,921	5,682,778	2,133,193	1,887,28
Investment securities exempt from federal income taxes	672,935	748,751	217,712	229,32
Federal funds sold and other short-term investments	524,472	555,101	149,700	154,99
Interest bearing deposits	25,833	46,368	0	15,52
	15,278,786	15,254,194	5,041,000	4,939,54
INTEREST EXPENSE:				
Deposits	6,693,626	7,758,995	1,994,748	2,502,09
Federal funds purchased and other short-term borrowings	93,494	98,241	35,474	30,68
Long-term debt	269,675	335,163	83,050	109,69
	7,056,795	8,192,399	2,113,272	2,642,477
NET INTEREST INCOME	8,221,991	7,061,795	2,927,728	2,297,063
Provision for Loan Losses	(792,000)	(1,027,500)	(265,000)	(250,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,429,991	6,034,295	2,662,728	2,047,063
OTHER INCOME:				
Fees on deposit accounts	1,473,401	1,406,672	468,263	496,533
Other income	346,203	281,976	105,395	92,274
Gain on security transactions	2,000	6,076	0	0
	1,821,604	1,694,724	573,658	588,807
OTHER EXPENSE:				
Salaries & employee benefits	3,428,801	3,271,169	1,168,948	1,133,591
Occupany expense, net	480,160	502,118	166,009	163,518
Equipment expense	200,838	191,013	66,752	63,903
Other operating expense	2,774,607	2,529,576	932,423	893,406
Other real estate expense/(income)	(89,716)	487,099	(4,885)	55,453
	6,794,690	6,980,975	2,329,247	2,309,871
Income before income taxes	2,456,905	748,044	907,139	325,999
Applicable income taxes	26,600	0	18,600	0
NET INCOME	$2,430,305	$748,044	$888,530	$325,999
Earnings per share	$1.78	$0.55	$0.65	$0.24
Dividends per share	$0.05	$0.00	$0.05	$0.00

See accompanying Notes to Consolidated Financial Statements.

FIRST GOLDEN BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED

	March	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit	$2,430,305	$748,044
Adjustments:		
Provision for loan losses	792,000	1,027,500
Depreciation and amortization	191,921	244,334
Provision for other real estate owned losses	0	0
Accretion/amortization of discount/premium on investments	(2,924)	(24,405)
Loss on sale of fixed assets	1,700	0
Loss on sale of other real estate owned	2,909	18,308
Change in other assets	(147,623)	(53,778)
Change in accrued expenses and other liabilities	28,831	(118,831)
Total adjustments	866,814	1,093,128
Net cash provided by operating activities	3,297,119	1,841,172
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment securities	0	0
Proceeds from maturities of investment securities	27,741,317	16,477,397
Purchase of investment securities	(44,901,669)	(14,766,041)
Change in interest bearing deposits	748,824	(5,587)
Change in loans	571,071	1,407,496
Change in other real estate owned	427,937	(774,826)
Proceeds from sale of other real estate owned	1,006,732	853,200
Proceeds from sale of premises and equipment	0	52,986
Purchase of premises and equipment	(147,624)	(155,996)
Net cash applied to investing activities	(14,553,412)	3,088,629
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in demand, NOW, and savings accounts	27,415,292	6,607,889
Changes in time deposits	(6,258,273)	(1,650,522)
Changes in short–term borrowed funds	(46,852)	(310,438)
Changes in long–term debt	(311,537)	(234,430)
Net changes provided by financing activities	20,798,630	4,412,499
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,542,337	9,342,300
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	23,038,060	15,434,001
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$32,580,397	$24,776,301
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash received (paid) during the year for:		
Interest income	$15,278,788	$15,254,194
Interest expense	7,056,795	8,192,399
Income taxes	0	0

See notes to Consolidated Financial Statements.

FIRST GOLDEN BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. All adjustments which are, in the opinion of management, necessary for a a fair statement of results of operations have been reflected in the accompanying financial statements. All such adjustments made are of a normal and recurring nature.

Note B - Earnings per Share

Earnings per share for the nine and three month periods ended March 31, 1992 and 1991 are based on 1,366,932 common shares outstanding during each period.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary presents management's discussion and analysis of the Company's financial condition and results of operations. The discussion highlights the significant changes in the balance sheet from June 30, 1991, to March 31, 1992, and the principal factors affecting earnings. The discussion is a supplement to the Consolidated Financial Statements and should be read in conjunction with those statements.

Financial Condition

The consolidated balance sheets presented in this report summarize the various sources of funds generated by the Company and the manner in which those funds were invested. Total assets have increased by $23.3 million or 10% at March 31, 1992, when compared to June 30, 1991.

The change in the size of the balance sheet is primarily attributable to increases in deposits. All of the growth was in core deposits. Core deposits are considered a highly stable source of funds and consist of demand, NOW, savings and money market deposits, and small denomination certificates of deposit. Growth in core deposits is one of the Company's primary goals. Total deposits grew $21.2 million or 10.1% from June 30, 1991, to March 31, 1992. All of the growth came in core deposits. Increases were noted in all categories of core deposits except for small denomination certificates of deposit, which declined $3.8 million or 6.6%. Certificates of deposit of $100,000 or more declined $2.5 million or 16.8% from June 30, 1991, to March 31, 1992.

It appears that a portion of the reductions in certificates of deposit have been moved into savings accounts by bank customers waiting for a rise in current interest rates. While the reductions in certificates of deposit are attributable to the downward rate trend found in the market place, the rates paid on certificates of deposit by the Company's subsidiary banks are reflective of management's efforts to reduce the level of more expensive funds through reduced pricing. This effort was started in fiscal 1990, and continues into the current fiscal year. In light of decreased loan demand and the difficulty in reinvesting funds from certificates of deposit at an acceptable rate of return, the Company's subsidiary banks have set interest rates on these deposits at the low end of their competitive market place.

The Company's second largest source of funds is Stockholders' Equity, consisting of capital contributed by stockholders and retained earnings. Stockholders' Equity increased $2.4 million or 15.3% for the first nine months of fiscal 1992. The change in equity is attributable to the Company's earnings less dividends paid to shareholders.

The Company's long-term debt decreased $312 thousand or 7.8% at March 31, 1992, compared to June 30, 1991. The decrease is due to normal debt service. Short-term borrowings, consisting solely of repurchase agreements, decreased $47 thousand or 2% when June 30, 1991, is compared to March 31, 1992.

There was little change in the size of the loan portfolio from June 30, 1991, to March 31, 1992. The loan portfolio expressed as a percentage of total assets, however, fell from June 30, 1991, to March 31, 1992. The loan portfolio comprised 41.7% of assets at June 30, 1991, and has declined to 37.5% of total assets as of March 31, 1992. The Company has been unable to invest newly acquired funds in the loan portfolio due to decreased loan demand.

Additional funds from the Company's growth have been placed in the investment portfolio. The investment portfolio has increased $17.2 million or 16.1% since June 30, 1991. The level of U.S. Government securities remained relatively constant increasing $159 thousand. Obligations of states and political subdivisions declined $1.1 million over the first nine months of fiscal 1992. The reductions in obligations of states and political subdivisions were the result of maturities and securities called prior to maturity. Funds available from these reductions were reinvested in the other investment category. The other investment category consists of collateralized mortgage obligations and asset backed securities. The decision to invest in these types of securities is reflective of the Company's tax position and limitations on the tax advantage of acquiring additional municipal securities, as well as an effort to attain higher yielding securities.

The Company also invests in federal funds. These investments, made on a day-to-day basis, are made from funds which (1) are only temporarily available, (2) cannot readily be invested in loans or securities, or (3) need to be kept in short-term investments for liquidity purposes. At March 31, 1992, the Company had 7.4% of its funds invested in federal funds and 5% was invested in this manner at June 30, 1991.

As members of the Federal Reserve System, the Company's subsidiary banks must maintain required levels of cash on hand or on deposit with the Federal Reserve Bank or other financial institutions. Each subsidiary bank is responsible for the maintenance of its "cash position" and to meet these requirements on a continuous basis. In addition, to these regulatory requirements, the Company keeps a portion of its funds available as cash or amounts on deposit with the Federal Reserve Bank or other depository institutions, in order to satisfy its operational and liquidity requirements. At March 31, 1992, and June 30, 1991, 5.3%, and 4.9%, of the Company's funds were held as cash and due from banks, respectively.

Asset Quality

Loans of $96.4 million and investment securities totaling $124.1 million are the principal assets of the Company. These two asset categories combined make up 85.9% of total assets at March 31, 1992.

The quality of the Company's loan portfolio is monitored on an ongoing basis. All of the Company's subsidiary banks have written loan policies which help provide for consistent loan underwriting and the basis for prudent loan decisions. Credit decisions are based on the ability of the borrowers to repay the loan and the underlying collateral. Loan officers are charged with the responsibility of reviewing existing loans on an ongoing basis, identifying potential problem credits, and developing action plans to collect and reduce problem loans. In addition, loans are subject to review by the Company's internal loan review officer, the Company's independent auditors and bank regulatory agencies.

The Company's internal loan review is performed by an individual who operates independently of the lending department and reports directly to the banking subsidiaries' boards of directors. Loan review encompasses examinations of the subsidiary banks' loans for credit quality, documentation, and adherence to loan policy. The Company strives to avoid undue credit risk in its loan portfolio by avoiding concentrations of loans within particular industries. The Company has no significant exposure to highly leveraged transactions and has no foreign credits in its loan portfolio.

The level of problem assets has been reduced from June 30, 1991, to March 31, 1992. At March 31, 1992, the Company had $2.3 million in other real estate owned (OREO). OREO at June 30, 1991, totaled $3.7 million. Nonperforming loans, consisting of non-accrual loans and loans ninety days past due, were $2.1 million as of March 31, 1992, compared to $3 million at June 30, 1991.

The Company obtains appraisals on OREO properties annually. Any loss in the fair value of the property is recorded immediately. The OREO balance reflected in the balance sheets is the estimated amount expected to be realized on sale of the property.

The quality and marketability of investment purchases are primary concerns of management. U.S. government securities make up $46 million or 37.1% of the investment portfolio at March 31, 1992. Obligations of states and political subdivisions (municipal securities), comprise $15.2 million or 12.3% of the portfolio. Currently, 92% of the municipal securities are Colorado bonds and 85.9% are rated A or higher. The other investments category consists of collateralized mortgage obligations which are bonds secured by pools of pass-through mortgage securities primarily of U.S. Agencies, and asset backed securities which are secured by pools of automobile loans or leases. 96.8% of the securities in the other investments category are rated AAA and consequently provide a good credit risk. At March 31, 1992, the market value of the securities portfolio exceeded cost by $3.2 million.

Liquidity

Liquidity management is the ability of the Company to ensure that adequate liquidity is maintained in order to satisfy contractual liabilities, meet withdrawal requirements of depositors, fund operations, and provide for customers' credit needs. The Company depends on its financial strength, asset quality, and the stability of its deposit base to ensure adequate liquidity. In the ordinary course of business, cash flows needed to meet liquidity requirements are generated from the Company's interest and fee income, repayments of loan balances, and the regularly scheduled maturities of other earning assets.

The Company's investment portfolio represents 48.3% of total funds at March 31, 1992. The Company's investment portfolio is structured to provide long-term profitability and is managed to monitor the quality of investments, to maintain current market yields, and provide acceptable levels of liquidity. The investment portfolio enhances the Company's liquidity through the maintenance of readily marketable securities, particularly those of shorter maturities.

Maturities in the loan portfolio also provide a steady flow of funds. Loan maturities as well as regularly scheduled loan payments provide a source of liquidity.

Capital Resources

The Company's capital adequacy is important for a number of reasons. The strength of the Company can be determined by a review of its underlying capital. A strong capital base is necessary to support the volume, type, and character of the Company's business and to provide for the absorption of adverse operating results. In addition, the capital position of the Company lends itself to promote public confidence in the Company and its subsidiary banks, and furnishes a safeguard for depositors and other creditors. Internally generated capital provided by earnings is the primary means of maintaining capital adequacy by the Company. Equity of the Company increased $2.4 million or 15.3% for the first nine months of fiscal 1992. The increase is attributable to earnings less a third quarter dividend paid to shareholders. The dividend of $.05 per share was the first dividend paid since October of 1988.

The Federal Reserve Board sets risk based capital guidelines with which the Company must comply. The objectives of the risk-based capital ratios are to provide a more consistent system for comparing capital positions of banking organizations and to consider the different degrees of credit risk among an organization's assets and off-balance sheet items in assessing capital adequacy. Interim risk-based capital minimums went into effect December 31, 1990, and after a phase-in period ending December 31, 1992, the Company's total capital will be required to equal 8% of risk weighted assets. At least 4% of total capital must be in the form of core capital elements. Due to the Company's high level of capital and the level of risk in its current asset mix the Company's risk based capital ratio already exceeds the 1992 regulatory minimum. The Company's core capital to risk weighted assets at March 31, 1992, is 13.0%, and its total qualifying capital to risk weighted assets (based on year end 1992 guidelines) is 14.5%. The Company's subsidiary banks must also comply with the risk-based capital guidelines. As of March 31, 1992, all of the subsidiary banks exceed the 1992 regulatory minimum.

In addition, the Federal Reserve Board has introduced the leverage ratio, which measures core capital against quarterly average assets, net of goodwill. A leverage ratio of 3% is the minimum requirement for the most highly rated banking organizations and most banking organizations would be expected to maintain a leverage ratio between 4% and 5%. The Company's leverage ratio at March 31, 1992, is 7.1%.

Interest Rate Sensitivity

Net interest income can be vulnerable to changes in the level of interest rates (interest rate risk) to the extent that rates earned on interest bearing assets respond differently to changes in the levels of interest rates in the market place than do rates paid on interest bearing liabilities. Management monitors the interest rate risk in order to maintain relative stability in the net interest margin through periods of changing interest rates. Traditionally, banks have examined interest rate sensitivity by focusing on the ability to reprice their assets and liabilities at the same time. Taking a "snapshot" of the balance sheet, assets and liabilities are grouped into time periods. A mismatch in the amount of assets and liabilities which can be repriced during the same time period is referred to as an interest rate sensitivity gap. In general, a positive gap (asset sensitive) indicates that the net interest margin will move in the same direction as interest rates (i.e., as rates increase the net interest margin will increase). Conversely a negative gap (liability sensitive) would cause the net interest margin to move in the opposite direction from interest rates.

The following table presents the Company's gap profile at March 31, 1992. To take into account such factors as prepayments of certain types of loans and investments and the rate sensitivity of consumer deposit accounts, the analysis focuses on the expected repricing of assets and liabilities (the "managerial gap") rather than on contractual terms.

Interest Rate Sensitivity Table
(Dollar Amounts in Thousands)

	Cumulative Sensitivity Period				
	Three Months	Six Months	One Year	One to Five Years	Over Five Years
Interest earning assets:					
Short-term investments	18,970	18,970	18,970	18,970	18,970
Securities	17,556	27,375	41,927	113,458	124,058
Loans	34,639	39,076	49,418	81,414	96,414
Total	71,165	85,421	110,315	213,842	239,442
Interest bearing liab.:					
Savings and NOW accounts	0	0	16,531	81,896	81,896
Money market accounts	13,833	27,666	41,500	41,500	41,500
Time deposits	30,903	41,379	53,472	66,026	66.026
Short-term borrowings	2,273	2,273	2,273	2,273	2,273
Long-term debt	2,252	2,258	2,270	3,658	3,658
Total	49,261	73,576	116,046	195,353	195,353
Interest sensitivity gap	21,904	(11,845)	(5,731)	18,489	44,089
Percent of earning assets	9.15%	4.95%	(2.39)%	7.72%	18.41%

This table shows that the Company is asset sensitive and is in a favorable position if interest rates begin to rise.

While information such as that shown above is useful, it only partially depicts an institution's rate sensitivity because it is a static look at the Company's balance sheet, with assets and liabilities grouped in predetermined time periods. Significant adjustments can be and sometimes are, made when the rate outlook changes.

Further, this type of analysis assumes that rate sensitive assets and liabilities are equally sensitive to interest rate changes within the time periods shown. In reality, however, there are varying degrees of rate sensitivity. For example, a drop in prime rate may have a significant impact upon the effective yield of the commercial loan portfolio, but a smaller effect upon the rate paid for money market deposit accounts. Certain types of accounts might not be repriced at all with a change in the prime rate. In order to stabilize net interest income when rates change, management must not only monitor the Company's gap position, but also recognize the differing degrees of rate sensitivity within each time period.

Results of Operations

Net income for the nine months ended March 31, 1992, was $2.4 million, and reflected an increase of $1.7 million or 224.9% over the nine months ended March 31, 1991. An improvement of $562 thousand or 172.6% was realized when the quarter ended March 31, 1992, is compared to the quarter ended March 31, 1991. The improved earnings reflect decreases in the provision for loan losses and other real estate expense, and increases in the net interest margin and other income.

The provision for loan losses for the nine months ended March 31, 1992, was $792 thousand compared to $1 million for the nine months ended March 31, 1991. The provision for loan losses for the quarter ended March 31, 1992 was $265 thousand compared to $250 thousand for the same quarter a year ago. The provision for loan losses charged against income is determined by management based on the amount of loan losses sustained, changes in the composition and volume of the loan portfolio, and management's estimate of potential risk in the portfolio based upon internal and external credit reviews and economic factors.

During the nine months ended March 31, 1992, the Company had net charge offs of $309 thousand. This compares to net charge offs of $824 thousand for the nine months ended March 31, 1991. For the quarter ended March 31, 1992, the Company realized net charge offs of $114 thousand. For the same quarter a year ago the Company experienced net charge offs of $164 thousand. This represents a decrease in net charge offs of $515 thousand or 62.5% for the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. When the quarter ended March 31, 1992, is compared to the quarter ended March 31, 1991, an improvement of $50 thousand or 30.3% is noted.

The reduction in charge offs is attributable to stronger underwriting standards and early identification and workouts on problem credits. Management believes it has thoroughly reviewed its loan portfolio, and has identified and allowed for problem loans. The allowance for loan losses was 3.5% of total loans at June 30, 1991, and has increased to 4% of total loans at March 31, 1992. By maintaining this level of allowance, management feels that the Company has adequately positioned itself against future credit risk.

Other real estate expenses are the costs associated with properties obtained through foreclosure, and includes the costs of administering and operating these properties, any write downs in the value of the properties prior to their disposition, and the effect of gains and losses on the subsequent sales of these properties. Other real estate expenses also reflect income realized on these properties as a reduction to other real estate expenses.

During the first nine months of fiscal 1992, the Company has realized a net loss on the write down and disposition of other real estate properties of $16 thousand. Other real estate expenses for the same nine month period were more than offset by income on these properties by $106 thousand. These two factors resulted in the $90 thousand credit to other real estate expense reflected on the Consolidated Statement of Earnings for the nine months ended March 31, 1992. This compares to total other real estate expenses of $487 thousand for the nine months ended March 31, 1991. Total other real estate expenses for the nine months ended March 31, 1991, are attributable to losses on write downs and dispositions of $407 thousand, and net other expenses of $80 thousand.

A positive trend in other real estate expenses is also noted when the quarter ended March 31, 1992, is compared to the quarter ended March 31, 1991. Total expenses were $55 thousand for the quarter ended March 31, 1991, and a credit of $5 thousand was realized in this expense category for the quarter ended March 31, 1992.

The Company realized a $1.2 million increase in the net interest margin for the nine months ended March 31, 1992, compared to the nine months ended March 31, 1991. This represents an increase of 16.4%. An increase of $631 thousand or 27.5% in the net interest margin was realized when the quarter ended March 31, 1992, is compared to the quarter ended March 31, 1991.

The Company's net yield on interest earning assets rose slightly from 4.96% for the nine months ended March 31, 1991, to 5.09% for the nine months ended March 31, 1992, on a fully tax equivalent basis. For the quarter ended March 31, 1992, the net yield on interest earning assets was 5.31% compared to 4.87% for the quarter ended March 31, 1991. The Company's net interest margin results are attributable to a combination of two factors, which include the percentage of interest earning assets funded by interest bearing liabilities, and the difference between the yield on earning assets and the rate paid on interest bearing liabilities.

During the nine months ended March 31, 1992, 82.1% of the Company's interest bearing assets were funded by interest bearing liabilities. During the same period in the preceding year 85.2% of the Company's interest bearing assets were funded by interest bearing liabilities. For the quarters ended March 31, 1992, and 1991, interest bearing assets were funded by 81.5%, and 86% of interest bearing liabilities, respectively.

The Company's net interest spread increased to 4.19% for the nine months ended March 31, 1992, compared to 4.02% for the nine months ended March 31, 1991, on a fully tax equivalent basis. In comparing the net interest spread for the quarter ended March 31, 1992, to the quarter ended March 31, 1991, an increase from 4.02% to 4.48% was noted. The Company experienced a decline in the yield on its earning assets from 10.31% to 9.24% for the nine months ended March 31, 1991, compared to the nine months ended March 31, 1992. A decline from 10.11% to 8.96% was noted when the quarter ended March 31, 1991, is compared to the quarter ended March 31, 1992. By decreasing the volume of more expensive certificates of deposit and reducing the rates on the other types of interest bearing deposit accounts, the Company positively offset the decline in the yield in its interest earning assets.

Other income rose $127 thousand or 7.5% for the nine months ended March 31, 1992, compared to the nine months ended March 31, 1991. A decrease of $15 thousand or 2.6% was realized when the quarter ended March 31, 1992, is compared to the quarter ended March 31, 1991. Other income is primarily attributable to fee income from the banking services of the Company's banking subsidiaries.

The Company does not actively trade the securities in its investment portfolio. The security gains of $2 thousand for fiscal 1992 and $6 thousand for fiscal 1991, reflected in the Consolidated Statement of Earnings, are attributable to municipal securities called at a premium.

Part II. OTHER INFORMATION

Item 6. REPORTS ON FORM 8-K

There were no reports on Form 8-K filed by the Registrant during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST GOLDEN BANCORPORATION

Date: May 13, 1992

By:________________________

William J. Fortune
President, Chairman of the
Board, and Chief Executive
Officer

Date: May 13, 1992

By:________________________

G. Scott Gagon
Executive Vice President,
Treasurer, and Principal
Financial Accounting Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

G92-22606

For Quarter Ended .... March 31, 1992

Commission File Number 0-15529

First Peoples Financial Corporation
Name of Registrant As Specified in its Charter

New Jersey	**22-2762303**
State of Incorporation	I.R.S. Employer Identification Number

Cuthbert Boulevard and MacArthur Drive
Haddon Township, New Jersey, 08108
Address of Principal Offices

(609) 858-7300
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $6 Par Value-2,522,171 shares as of May 1, 1992

PROCESSED BY

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Q-Data Corp. - St. Petersburg, FL

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES

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FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(in thousands)

	March 31,		December 31,
	1992	1991	1991
ASSETS	(Unaudited)		
Cash and Cash Equivalents:			
Cash and due from banks	$45,118	$36,902	$61,135
Federal funds sold	11,000	18,000	33,500
Total Cash and Cash Equivalents	56,118	54,902	94,635
Time deposits with other banks	0	13,001	5,000
Investment securities (Market Value $182,369 at March 31, 1992; $166,265 at March 31, 1991; $179,068 at December 31, 1991)	181,670	167,439	174,176
Loans:			
Loans	747,967	690,493	730,143
Term federal funds	0	62,000	23,000
Less: Allowance for possible loan losses	(8,905)	(9,622)	(10,010)
Net Loans	739,062	742,871	743,133
Premises and equipment	22,977	22,070	22,817
Other real estate	18,138	8,707	18,692
Accrued income	11,648	12,903	12,357
Other assets	4,572	5,798	5,105
Total Assets	$1,034,185	$1,027,691	$1,075,915
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$149,034	$134,500	$159,320
Interest-bearing	754,325	765,472	788,161
Total Deposits	903,359	899,972	947,481
Federal funds purchased and securities sold under repurchase agreements	48,917	47,520	47,018
Other short-term borrowings	830	1,125	830
Accrued interest on deposits	4,583	5,894	5,092
Other liabilities	3,963	5,024	4,380
Limited-life preferred stock	0	500	0
Total Liabilities	961,652	960,035	1,004,801
Shareholders' Equity:			
Common stock	20,307	20,208	20,235
Surplus	19,450	19,134	19,222
Retained earnings	59,581	54,905	58,269
Treasury stock	(26,400)	(26,400)	(26,400)
Valuation allowance for securities	(405)	(191)	(232)
Total Shareholders' Equity	72,533	67,656	71,114
Total Liabilities and Shareholders' Equity	$1,034,185	$1,027,691	$1,075,915

See notes to condensed consolidated financial statements.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)

	Three Months Ended March 31, 1992	1991
Interest income:		
Loans, including fees	$14,878	$18,271
Investment securities		
Taxable	2,643	2,102
Tax-exempt	809	866
Short-term investments	205	371
Total interest income	18,535	21,610
Interest expense:		
Deposits	9,033	11,895
Short-term borrowings	207	260
Long-term borrowings	0	0
Total interest expense	9,240	12,155
Net interest income	9,295	9,455
Provision for possible loan losses	150	150
Net interest income after provision for possible loan losses	9,145	9,305
Other income:		
Service charges on deposit accounts	873	769
Gains on sales of investment securities	20	134
Gain on sale of credit card portfolio	0	0
Other	1,448	796
Total other income	2,341	1,699
	11,486	11,004
Operating expense:		
Salaries and employee benefits	3,858	4,044
Net occupancy	885	849
Equipment and processing	762	844
Net expense of other real estate	337	167
Federal deposit insurance	522	434
Legal fees and loan collection services	228	264
Other operating expenses	1,957	1,988
Total operating expense	8,549	8,590
Income before income taxes	2,937	2,414
Income taxes	700	490
Net income	$2,237	$1,924
Weighted average shares outstanding:		
Primary	2,629	2,519
Fully diluted	2,629	2,519
Net income per common share:		
Primary	$0.85	$0.76
Fully diluted	$0.85	$0.76

Certain prior-year amounts have been reclassified to conform with the 1992 presentaion. Such reclassifications had no effect on income.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net income	$2,237	$1,924
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,662	1,244
Accretion on investment securities	(26)	(35)
Gains on sales of investment securities	(20)	(134)
Gain on sale of other real estate	(54)	(59)
Provision for possible loan losses	150	150
Decrease (increase) in accrued income	709	(831)
Decrease in accrued interest on deposits	(509)	(584)
Decrease (increase) in other assets	417	(94)
(Decrease) increase in other liabilities	(417)	379
Net cash provided by operating activities	4,149	2,160
Cash flows from investing activities:		
Net increase in federal funds purchased and securities sold under repurchase agreements	1,900	36,753
Net decrease (increase) in time deposits with other banks	5,000	(13,001)
Term federal funds sold	0	(102,000)
Maturities of term federal funds	23,000	109,000
Net (increase) decrease in loans	(20,356)	1,414
Recoveries on loans charged off	232	303
Proceeds from sale of other real estate	625	227
Capital expenditures, net	(604)	(664)
Purchases of investment securities	(24,735)	(40,031)
Sales of investment securities	8,380	16,725
Maturities of investment securities	8,661	2,187
Net cash provided by investing activities	2,103	10,913
Cash flows from financing activities:		
Net decrease in deposits	(44,123)	(48,810)
Cash dividends on common stock	(946)	(940)
Cash dividends on preferred stock	0	(17)
Cash paid to redeem 9.25% limited-life preferred stock	0	(250)
Issuance of common stock from exercise of employee stock options	300	0
Net cash used in financing activities	(44,769)	(50,017)
Net decrease in cash and cash equivalents	(38,517)	(36,944)
Cash and cash equivalents at beginning of year	94,635	91,846
Cash and cash equivalents at end of year	$56,118	$54,902

Supplemental disclosures of cash flow information.

	1992	1991
Cash paid during the year for:		
Federal income taxes	$105	$68
Interest on deposits	$9,542	$12,479
Interest on borrowings	$197	$239
Nonmonetary transfers:		
Conversion of loans to other real estate	$16	$243

Disclosure of accounting policy

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one day periods.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of First Peoples Financial Corporation ("FPFC" or "the Corporation") have been prepared in accordance with generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

ITEM 2

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Interest Rate Sensitivity

The liquidity position and interest rate sensitivity of FPFC are managed by the Asset/Liability Management Committee ("ALCO"), which is composed of executive and senior management. The major functions of the ALCO are to provide for adequate liquidity and to balance interest-sensitive assets and liabilities. ALCO bases its determination as to the adequacy of FPFC's liquidity position by taking into account the maturities and marketability of earning assets to meet the projected future needs of deposit and other liability demands.

In regard to interest rate sensitivity, ALCO's principal objective is to maximize net interest income while attempting to avoid income fluctuations in periods of volatile interest rates. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds on which rates change daily and loans which are tied to the prime rate differ considerably from long-term investment securities and fixed-rate loans. Similarly, time deposits over $100,000 and money market certificates are much more interest sensitive than savings accounts and long-term borrowings. The ALCO strives to maintain its interest sensitivity gaps (i.e., the differential between interest-sensitive assets and interest-sensitive liabilities over given time periods) within a specific range.

The first table shows the interest-sensitivity gaps for five different time periods and the cumulative gap for the same periods as of March 31, 1992. For the first time period (0-30 days) and last time period (1-5+ years), interest-earning assets exceeded interest-bearing liabilities. For the balance of the time periods there was an excess of interest-bearing liabilities over interest-earning assets. The cumulative excess of interest-earning liabilities over interest-bearing assets, based on a six-month period (the primary area of emphasis of ALCO) was $15.2 million. This represents a rate-sensitive assets to rate-sensitive liabilities ratio of 0.97%. Additionally, for a one-year time period, the cumulative excess of interest-earning liabilities over interest-bearing assets was $57.5 million.

The second table presents the run off of interest bearing deposits. The Corporation does not expect the run off of any demand deposits. Over the last several years, average demand deposit balances have been increasing and they are expected to increase further according to the Bank's profit plans. This growth is expected based on the continued expansion of the Bank's core banking business and past experience.

Liquidity and Interest Rate Sensitivity (continued)

Interest Rate Sensitivity Gaps
As of March 31, 1992 (in millions)

	0-30 days	31-90 days	91-180 days	181-365 days	1-5+ years	Total
Interest Earning Assets:						
Term Federal Funds	$	$	$	$	$	$ 0.0
Federal Funds Sold	11.0					11.0
Investment Securities	2.3	4.8	7.9	13.3	151.9	180.2
Loans	407.7	27.0	28.2	26.0	236.5	725.4
Total	$421.0	$ 31.8	36.1	$ 39.3	$389.4	$916.5
Interest Bearing Liabilities:						
Federal funds purchased and securities sold under agreement to repurchase	$ 48.9	$	$	$	$	$ 48.9
Interest-bearing deposits	313.3	60.8	75.0	80.8	220.8	750.8
Other short-term borrowings				0.8		0.8
Zero-rate	6.1				110.0	116.1
Total	$368.3	$ 60.8	$ 75.0	$ 81.6	$330.8	$916.6
Total sensitivity gap for period	$ 52.7	$(29.0)	$(38.9)	$(42.3)	$ 57.5	
Cummulative	$ 52.7	$ 23.7	$(15.2)	$ 57.5		

Interest Bearing Deposit Run Off
As of March 31, 1992 (in millions)

	0-30 days	31-90 days	91-180 days	181-365 days	1-5+ years	Total
Deposit Type:						
Savings Account	$ 7.7	$	$	$ 2.5	$155.5	$165.7
NOW & Supernow Accounts				33.5		33.5
Money Market Accounts	171.5					171.5
IRA's	0.1		0.6	1.2	3.9	5.8
Certificates of Deposit	30.4	38.3	69.0	43.4	60.8	242.6
Jumbo C/D's	103.6	22.5	5.3	0.3		131.7
Total	$313.3	$ 60.8	74.9	$ 80.9	$220.2	$750.0

Liquidity and Interest Rate Sensitivity (continued)

The exposure to interest rate volatility is such that each 1% increase or decrease in overall short-term rates, which is reflected equally over the 0-365 day period in interest on interest-sensitive assets and interest-sensitive liabilities, would cause a change in annual pretax earnings of $575,000 over the one year period in the table above, in the same direction as the interest rate change.

FPFC's policy requires ALCO to normally maintain ratios of rate-sensitive assets to rate-sensitive liabilities of between .85 and 1.15% over the six month and one year time frames. This policy is intended to stabilize the long-term earnings power of the Corporation along an acceptable growth path.

Since December 31, 1989, FPFC has maintained a cumulative six-month gap which has remained within the range dictated by FPFC policy. Management feels that the Corporation remains in a position to benefit from the rises in the interest rate environment and, alternatively, to effectively manage any decreases in the interest rate environment should they occur.

Capital Adequacy

At March 31, 1992, FPFC's primary capital ratio was 7.81% as compared to 7.77% at March 31, 1991 and 7.99% at December 31, 1991. The regulatory capital guidelines approved in 1988, "Risk-Based Capital", redefine the measurement of capital, adjust assets for varying risks and include recognition of off-balance sheet commitments and contingent liabilities. Risk-Based Capital guidelines will become fully effective in December, 1992. At that time, banking organizations will be required to have capital equivalent to 8% of assets, weighted by risk.

Banking organizations must have at least 4% Tier 1 capital, which consists of core capital elements including common stockholders' equity, retained earnings and perpetual preferred stock, to weighted risk assets. The other half of required capital, Tier 2, can include, among other supplementary capital elements, limited-life preferred stock and subordinated debt, and loan loss reserves up to certain limits.

In response to the Federal Reserve Board's risk-based capital requirements, management has determined its March 31, 1992 adjusted capital ratios to be 13.02% using Tier 1 components of total capital and 14.52% using Tier 2 components.

The Corporation declared its first common stock dividend on September 19, 1990 since its inception in 1986. Dividends of $946,000 were paid to holders of the Corporation's Common Stock during the first three months of 1992.

Results of Operations

FPFC reported net income of $0.85 per share or $2.2 million for the quarter ended March 31, 1992. This represents a return on average assets of 0.87% and a return on average equity of 12.49%. Net income was $0.76 per share or $1.9 million for the quarter ended March 31, 1991. Average shares outstanding increased slightly from 2.5 million at March 31, 1991 to 2.6 million at March 31, 1992.

The $0.3 million improvement in net income in the first quarter of 1992 as compared to the first quarter of 1991 resulted primarily from gains on the sale of government guaranteed loans and from the reduction in the Bank's estimated contractual liability to the former processor of the Bank's credit card transactions. This liability was adjusted from an estimated provision to the actual liability when it became known in the first quarter of 1992. These positive items were partially offset by a $0.2 million increase in the provision for income taxes and by a $0.1 million reduction in net interest income.

Financial Condition

Total assets were $1.0 billion as of March 31, 1992 and remained nearly unchanged from total assets of one year earlier. Gross loans, excluding term federal funds sold, were $748.0 million as of March 30, 1992, an increase of $57.5 million, or 8.3 percent, from $690.5 million at March 31, 1991. The increase in gross loans outstanding was attributable to growht related to loans fully guaranteed by the U.S. Government.

At the end of the third quarter, nonperforming assets (nonaccruing loans plus other real estate and troubled debt restructurings) totalled $41.4 million as compared to $25.8 at March 31, 1991 and to $39.8 million at December 31, 1991. The allowance for possible loan losses decreased to $8.9 million, or 1.94 percent of gross loans, excluding term federal funds sold and loans fully guaranteed by the U.S. Government. This compares to $9.6 million, or 2.07 percent of gross loans, excluding term federal funds sold and loans fully guaranteed by the U.S. Government, as of March 31, 1991.

Average interest-earning assets increased to $943.6 million for the first three months of 1991, up 2.6 percent from $919.8 million in 1991. This increase of $23.8 million was achieved by increases in the investment and loan portfolios. Specifically, average U.S. Treasury securities increased $1.0 million and U.S. Agency securities increased $48.9 million. Government guaranteed loans increased $51.9 million, mortgage loans increased $14.5 million and consumer loans increased $1.0 million. In addition, federal funds sold and time deposits with other banks increased $0.9 million and $2.7 million, respectively. Offsetting these increases was a decrease of $1.4 million in municipal securities, a decrease of $14.3 million in other securities, a $8.3 million decrease in commercial loans, a $7.1 million decrease in lease financing loans and a $66.0 million decrease in term federal funds.

Average total deposits rose during the first three months of 1992 to $928.6 million, an increase of $33.0 million, or 3.7 percent, from the first

Financial Condition (continued)

three months of 1991. The increase in deposits reflects the funding necessary for the increases in the loan and investment portfolios.

Average short-term borrowings, including federal funds purchased and securities sold under agreement to repurchase, increased $4.9 million, or 27.7 percent to $22.4 million for the first quarter of 1992. This increase was primarily the net result of a increase in securities sold under agreement to repurchase of $4.8 million an increase in federal funds purchased of $0.4 million and a $0.3 decrease in short-term borrowings related to securities and a note sold subject to put options.

The Corporation's average shareholders' equity increased by $4.3 million for the twelve months ended March 31, 1992 to $71.7 million. The increase was primarily a result of earnings for the period, net of dividend on common and preferred stock.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are included herein:

(11) Statement re: Computation of Earnings Per Share

(b) Reports on Form 8-K:

A report on Form 8-K was filed on February 13, 1992, reporting the announcement of a definitive agreement for CoreStates Financial Corp to acquire First Peoples Financial Corporation. This filing was amended on Form 8 dated February 27, 1992.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES

Exhibit (11)

Statement re: Computation of Net Income per Common Share

(In thousands, except per share data)

	Three Months Ended March 31,	
	1992	1991
Primary:		
Net Income	$2,237	$1,924
Cash dividends declared: Limited-life preferred stock	0	(17)
Net income, as adjusted for computation of primary net income per share	$2,237	$1,907
Weighted average common shares outstanding	2,522	2,506
Add: Common stock equivalents	107	13
Weighted average common shares outstanding for computation of primary net income per share	2,629	2,519
Primary net income per common share	$0.85	$0.76
Fully Diluted:		
Net Income	$2,237	$1,924
Cash dividends declared: Limited-life preferred stock	0	(17)
Net income, as adjusted for computation of fully diluted net income per share	$2,237	$1,907
Weighted average common shares outstanding	2,522	2,506
Add: Common stock equivalents	107	13
Weighted average common shares outstanding for computation of fully diluted net income per share	2,629	2,519
Fully diluted net income per common share	$0.85	$0.76

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

First Peoples Financial Corporation
(Registrant)

BY: Charles J. Nugent
Charles J. Nugent
Senior Vice President and
Chief Financial Officer

DATE: 5-15-92

There are no exhibits

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

#92.22666

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

PROCESSED BY
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Commission file numbers 2-69338
2-71536
2-90290 and
33-34281

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GOLDEN CORRAL RESTAURANT JOINT VENTURES
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of incorporation or organization)

N/A
(I.R.S. Employer Identification No.)

5151 Glenwood Avenue, Raleigh, NC
(Address of principal executive offices)

27612
(Zip Code)

Registrant's telephone number, including area code (919) 781-9310

N/A
Former name, former address and former fiscal year, if changed since last report.

Indicate by check ✓ whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past XXX 90 days. Yes ✓ No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date ________________.

PART I

Item 1. Financial Statements

The information furnished in the accompanying Combined Balance Sheets, Combined Statements of Earnings and Joint Venturers' Deficiency and Combined Statements of Cash Flows of the Golden Corral Restaurant Joint Ventures ("RJVs") include the accounts of those restaurant joint venture operations in which Golden Corral Corporation ("GCC") held an interest during the periods presented and offered 5% ownership interests for sale, and reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations and financial condition for the interim periods. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 1991, included in the combined Restaurant Joint Ventures' Annual Report on Form 10-K (File Nos. 2-69338, 2-71536, 2-90290, and 33-34281), filed with the Securities and Exchange Commission on March 30, 1992.

GOLDEN CORRAL RESTAURANT JOINT VENTURES
COMBINED BALANCE SHEETS

	March 31 1992	December 31 1991
Assets		
Current Assets		
Cash	$ 2,800,928	$ 3,471,334
Trade accounts receivable	645,829	538,634
Inventories	4,277,993	3,875,288
Other	459,489	271,771
	8,184,239	8,157,027
Buildings Under Capital Leases	49,855,985	53,707,283
Less accumulated amortization	21,861,663	22,714,676
	27,994,322	30,992,607
Other Assets	255,827	266,267
	$ 36,434,388	$ 39,415,901
Liabilities and Joint Venturers' Deficiency		
Current Liabilities		
Accounts payable	$ 3,771,331	$ 3,283,322
Due Golden Corral Corporation	6,190,622	6,925,906
Current portion of capital lease obligations	1,856,561	1,914,188
Accrued expenses		
Salaries and wages	2,921,702	2,800,670
Taxes	3,164,054	2,988,332
Rent	711,274	1,449,694
Interest	409,385	448,332
Other	661,727	1,313,966
	7,868,142	9,000,994
	19,686,656	21,124,410
Noncurrent Portion of Capital Lease Obligations	37,458,425	41,086,191
Joint Venturers' Deficiency		
Golden Corral Corporation	(17,086,288)	(19,636,648)
Other joint venturers	(3,624,405)	(3,158,052)
	(20,710,693)	(22,794,700)
	$ 36,434,388	$ 39,415,901

GOLDEN CORRAL RESTAURANT JOINT VENTURES
COMBINED STATEMENTS OF EARNINGS AND JOINT VENTURERS' DEFICIENCY

	Three Months Ended	
	March 31 1992	March 31 1991
Net Sales	$ 78,305,732	$ 85,616,105
Operating Costs and Expenses		
Food Costs	29,518,748	32,943,562
Labor and other operating expenses	30,047,954	32,651,952
Rent expense paid to:		
Golden Corral Corporation	4,689,705	5,300,204
Officers and directors of Golden Corral Corporation	39,833	54,162
Others	3,368,493	4,024,596
Advertising	1,775,252	1,810,340
General and administrative expenses paid to Golden Corral Corporation	3,914,999	4,280,205
Amortization of buildings under capital leases	644,983	758,446
	73,999,967	81,823,467
Operating Income	4,305,765	3,792,638
Other Deductions (Income)		
Interest expense on capital leases	1,285,990	1,584,516
Gain on termination of capital leases	(920,339)	(280,265)
	365,651	1,304,251
Net Earnings	3,940,114	2,488,387
Joint Venturers' Deficiency, Beginning	(22,794,700)	(30,798,956)
Capital Contributions	4,904,402	4,742,559
Distributions to Joint Venturers	(6,760,509)	(5,552,816)
Joint Venturers' Deficiency, Ending	$ (20,710,693)	$ (29,120,826)

GOLDEN CORRAL RESTAURANT JOINT VENTURES
COMBINED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31 1992	March 31 1991
Cash Flows from Operating Activities		
Net Earnings	$ 3,940,114	$ 2,488,387
Noncash Items Included In Earnings		
Amortization	644,983	758,446
Gain on termination of capital leases	(920,339)	(280,265)
Increase (Decrease) In Cash Due To Changes In		
Trade accounts receivable	(107,195)	(35,645)
Inventories	(402,705)	311,714
Other current assets	(187,718)	(194,187)
Accounts payable	488,009	826,619
Due Golden Corral Corporation	(735,284)	304,981
Accrued expenses	(1,093,905)	(1,215,451)
	1,625,960	2,964,599
Cash Flows From Investing Activities		
Decrease In Other Assets	10,440	4,424
Cash Flows From Financing Activities		
Payments on capital leases	(450,699)	(467,608)
Capital contibutions received	4,904,402	4,742,559
Distributions to joint venturers	(6,760,509)	(5,552,816)
	(2,306,806)	(1,277,865)
Net (Decrease) Increase In Cash	(670,406)	1,691,158
Cash, Beginning	3,471,334	6,683,961
Cash, Ending	$ 2,800,928	$ 8,375,119
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Period For		
Interest	$ 1,324,937	$ 1,604,523
Supplemental Schedule of Noncash Investing And Financing Activites		
Capital Leases Terminated		
Net building	$ (2,353,302)	$ (1,138,247)
Capital lease obligation	3,273,641	1,418,512
Gain on termination	(920,339)	(280,265)
Net effect on cash	$ —	$ —

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The number of Golden Corral RJVs at March 31 and changes during the three month periods then ended were:

	Three Months Ended	
	March 1992	March 1991
Beginning	327	388
Opened	-	-
Closed	16	15
Franchised	9	7
Ending	302	366

GCC did not open any new RJV restaurants during the three month period ending March 31, 1992, and does not anticipate opening any new RJV restaurants during the remainder of 1992. The majority of the RJVs are located in small to medium-sized towns and suburban areas. GCC is currently concentrating its efforts in larger markets, utilizing a new, larger building design. GCC does not offer for sale Restaurant Interests in these restaurants. As of March 31, 1992, GCC had opened 27 such larger restaurants, and anticipates that it will open approximately 13 more such restaurants during 1992, some of which may be in the market areas of existing RJV restaurants.

Under GCC's current policies, an RJV is closed when GCC believes the economic vitality of the location is insufficient to support profitable operations, or where GCC believes the continued operation of such restaurant cannot be economically justified following the opening of a substantially larger restaurant. The economic vitality of a location is affected by a variety of factors, including changes in competition, demographics and the local economy. GCC expects to close an additional 4 RJVs during 1992.

GCC may elect to convert certain RJVs to franchise units. Golden Corral Franchising Systems, Inc. ("GCFS"), a wholly-owned subsidiary of GCC, offers qualified applicants the opportunity to operate new or existing Golden Corral restaurants pursuant to franchise agreements. Sixty-eight franchised restaurants were open as of March 31, 1992, and GCC expects to expand the number of franchised restaurants to 95 during 1992 primarily through conversion of existing RJVs.

GCC may also elect to convert certain RJVs to other restaurant concepts developed by GCC or an affiliate.

The decrease in the number of restaurants accounts principally for the decrease in aggregate net revenues.

Average net revenues per restaurant, on a comparable store basis, were $249,022 in the first quarter of 1992 compared to $237,193 for the corresponding period of 1991. The increase was due to a 1.6% increase in the average number of customers served and a 3.5% increase in the average sale per customer during the first quarter of 1992 compared to the same quarter last year. GCC is unable to predict the impact of factors affecting future average net revenues per RJV which include the quality of RJV management, general economic conditions, the effect of marketing programs, and the extent to which GCC is able to increase the average sale per customer without incurring customer resistance.

Food costs are the principal operating cost of the RJVs. Food costs as a percentage of sales were 37.7% for the first quarter of 1992, compared to 38.5% for the first quarter of 1991. The decrease in 1992 as a percentage of sales was due primarily to favorable meat and produce prices. Although GCC anticipates that food prices will generally increase over a period of years, it cannot predict any specific, short-term price fluctuations.

Operating costs and expenses other than food costs have declined to $44,481,219 for the first quarter of 1992 from $48,879,905 for the same period of 1991. As a percentage of sales, such other operating costs and expenses have decreased to 56.8% for the first quarter of 1992, from 57.1% for the first quarter of 1991. The decrease in the first quarter of 1992 as a percentage of sales was due primarily to a decrease in building and equipment rent expense, partially offset by an increase in building and equipment maintenance. GCC anticipates such operating costs and expenses other than food costs to remain relatively constant for the remainder of 1992. Other operating expenses as a percentage of sales will, in the future, depend on average net revenues per restaurant and GCC's ability to control variable operating expenses.

Aggregate net earnings as a percentage of sales were 5.0% for the first three months of 1992 compared to 2.9% for the first three months of 1991. Aggregate net earnings as a percentage of sales were favorably impacted by the closing or conversion of certain RJVs under GCC's current policies, and by gains recognized on termination of capital leases.

Capital Resources

The individual RJVs have no commitments for capital resources, except commitments for minimum rental payments under capitalized and operating real estate and equipment leases. These commitments are financed from the operating revenues of the individual RJVs, which are believed to be adequate for this purpose.

Liquidity

The liquidity of RJVs is dependent on their operation as profitable entities. Because each RJV has no capital and few tangible assets, liquidity problems can occur if significant recurring losses are incurred. It is GCC's current policy to advance to RJVs the necessary funds, without interest, to continue operations and to require the other joint venturers to extinguish their proportionate share of losses, if any, on a quarterly basis. There can be no assurance, however, that GCC will continue this policy. The liquidity of the individual RJVs is not interdependent and operating losses of one RJV have no effect on the operations of any other RJV.

PART II - OTHER INFORMATION

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

GOLDEN CORRAL RESTAURANT JOINT VENTURES

By: Golden Corral Corporation

Date: May 11, 1992

C. Lamar Bell

C. Lamar Bell
Vice President of Finance
(Authorized Officer and Principal Financial Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

Q 35683

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

IQ2-2260

Commission File Number 0-17840

HANDEX ENVIRONMENTAL RECOVERY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-2941704
(I.R.S. Employer Identification No.)

500 Campus Drive, Morganville, New Jersey 07751
(Address of principal executive offices)
(Zip Code)

908/536-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock outstanding at April 30, 1992 7,040,212

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THE EXHIBIT INDEX APPEARS ON PAGE 10.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

March 31, 1992 and December 31, 1991

Assets	March 31, 1992 (unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 145,080	1,426,824
Marketable securities	12,501,000	9,351,000
Accounts receivable, net	24,110,343	26,497,522
Inventories	229,206	197,984
Refundable income tax	690,427	1,245,825
Prepaid expenses and other current assets	1,422,770	635,897
Total current assets	39,098,826	39,355,052
Property, plant and equipment, net	9,500,685	9,437,385
Other non-current assets	406,670	243,566
Intangible assets	1,524,695	1,535,162
	$50,530,876	50,571,165

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

March 31, 1992 and December 31, 1991

Liabilities and Stockholders' Equity	March 31, 1992 (unaudited)	December 31, 1991
Current liabilities:		
Current installments of long-term obligations	$ 31,707	40,915
Accounts payable	1,561,108	2,762,495
Accrued expenses	2,429,815	2,296,304
Total current liabilities	4,022,630	5,099,714
Long-term obligations, excluding current installments	13,292	17,004
Deferred taxes	422,279	413,886
Stockholders' equity:		
Preferred stock, without par value, 2,000,000 shares authorized, no shares issued	---	---
Common stock, $.01 par value, 15,000,000 shares authorized; issued 7,040,212 shares in 1992 and 7,039,712 shares in 1991	70,402	70,397
Additional paid-in capital	24,116,313	24,109,168
Retained earnings	21,885,960	20,860,996
Total stockholders' equity	46,072,675	45,040,561
	$50,530,876	50,571,165

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

Three Months ended March 31, 1992 and 1991

(Unaudited)

	1992	1991
Total operating revenues	$15,591,072	14,067,569
Subcontractor costs	2,880,489	2,972,632
Net operating revenues	12,710,583	11,094,937
Cost of net operating revenues	7,909,591	6,036,461
Gross profit	4,800,992	5,058,476
General and administrative expenses	3,163,807	2,492,894
Operating income	1,637,185	2,565,582
Other income (expense):		
Interest expense	(2,273)	(61,777)
Interest income	130,245	143,488
Other	(36,993)	(103,050)
	90,979	(21,339)
Income before income taxes	1,728,164	2,544,243
Provision for income taxes	703,200	1,041,267
Net income	1,024,964	1,502,976
Net income per share	$ .15	.22
Weighted average number of shares outstanding	7,040,185	6,823,462

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the Three Months ended March 31, 1992 and 1991

(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net income	$1,024,964	1,502,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	718,540	650,281
(Gain) loss on sale of equipment	(12,000)	417
Deferred taxes	8,393	36,354
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	2,387,179	(761,250)
Increase in inventories	(31,222)	(16,079)
Increase in prepaid expenses and other current assets	(786,873)	(204,764)
Decrease in refundable income tax	555,398	-
Increase in other assets	(4,354)	(2,291)
(Decrease) increase in accounts payable	(1,201,387)	141,107
Increase in accrued expense and income taxes payable	133,511	321,121
Net cash provided by operating activities	2,792,149	1,667,872
Cash flows from investing activities:		
Purchase of marketable securities, net	(3,150,000)	-
Additions to property, plant and equipment	(759,373)	(869,427)
Investment in captive insurance group	(158,750)	-
Net cash used in investing activities	(4,068,123)	(869,427)
Cash flows from financing activities:		
Proceeds from issuance of common stock	7,150	16,243
Proceeds from debt obligations	-	6,353,154
Principal payments on debt obligations	(12,920)	(7,105,333)
Net cash used in financing activities	(5,770)	(735,936)
Net (decrease) increase in cash and cash equivalents	(1,281,744)	62,509
Cash and cash equivalents at beginning of period	1,426,824	2,191,554
Cash and cash equivalents at end of period	$ 145,080	2,254,063
Supplemental disclosure of cash flow information		
Cash was paid for:		
Interest	$ 2,273	89,077
Income taxes	$ 139,769	415,268

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 1992 and 1991

Note 1 In the opinion of management the accompanying unaudited financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of the Company at March 31, 1992 and the results of operations for the three month periods ended March 31, 1992 and 1991. The statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended December 31, 1991.

Note 2 The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". This statement, which mandates the asset and liability method for computing deferred income taxes, is effective for fiscal years beginning after December 15, 1992. The Company has determined that the impact of this new standard on the consolidated financial statements will not be material.

Note 3 Marketable securities. Funds retained for future use in the business are temporarily invested in tax-exempt bonds and municipal funds. These investments are carried at cost which approximates market value.

Note 4 Cash and cash equivalents. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Note 5 Due to the reduced availability and increasing cost of liability insurance, the Company purchased an interest in a trade association captive insurance group and obtained liability insurance coverage. This required the company to purchase shares of stock of a holding company that owned the captive insurance group for a total subscription price of $476,250. In accordance with the subscription agreement, the amount of $158,750 was paid in cash and is reflected in the accompanying financial statements in non-current assets. The remaining balance is secured by an irrevocable letter of credit. As of March 31, 1992, there have not been any draws against the letter of credit.

Note 6 On March 25, 1991, the Company paid a five-for-four stock split in the form of a 25% stock dividend to stockholders of record on March 15, 1991. All references to the number of shares of common stock and per share data in the accompanying financial statements have been adjusted to give retroactive effect to the stock split.

PART I: FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Net operating revenues include fees for services provided directly by the Company and fees for arranging for subcontractors' services, as well as proceeds from the rental and sale of equipment. The Company, in the course of providing its services, routinely subcontracts for outside services such as soil cartage, laboratory testing and other specialized services. These costs are generally passed through to clients and, in accordance with industry practice, are included in total operating revenues. Because subcontractor services can change significantly from project to project, changes in total operating revenues may not be truly indicative of business trends. Accordingly, the Company views net operating revenues, which is total operating revenues less the cost of subcontractor services, as its primary measure of revenue growth.

Cost of net operating revenues includes professional salaries, other direct labor, material purchases and certain direct and indirect overhead costs. General and administrative expenses include management salaries, training expenses and clerical and administrative overhead.

During 1992, several trends continued to develop which the Company believes will have a direct impact on its future results of operations. The Company believes that expenses for administration, computerization, marketing and engineering and development will increase as a percentage of net operating revenues during future fiscal years. Administrative costs will likely increase as a result of the increasing desire of the Company's customers for more frequent and detailed information concerning the status of their recovery projects. An increase in the Company's marketing and engineering and development costs will likely result from the combined effects of increased competition and technological developments in the environmental services industry.

The Company's customers have become increasingly cost conscious during recent periods. This cost consciousness has manifested itself in many ways which management believes have affected, and will continue to affect, the Company's results of operations. To date, the most significant manifestations of this cost consciousness have been an "unbundling" of services traditionally provided by the Company as part of its full-service approach and an increasing preference on the part of customers to purchase, rather than lease, remediation equipment. Some of the Company's customers have started to purchase certain services, such as laboratory services, which have traditionally been provided by the Company, from other contractors. In addition, revenues derived from the leasing of equipment have declined significantly, while revenues from the sale of equipment have increased from $193,000 during the first qurter of 1991 to $652,000 during the first quarter of 1992. However, the Company anticipates that the long term result of increased purchases of equipment by customers will be a reduction in revenues realized from both the sale and leasing of equipment.

The cost consciousness of the Company's customers has also begun to manifest itself in the manner in which the Company charges for its services. Traditionally, the Company has billed customers for its services on a time and materials basis. However, customers are now requiring strict adherence to "not to exceed" limitations contained in contracts for projects billed on this basis. Moreover, the Company is experiencing a significant increase in customer demands for competitive bidding and fixed price contracts, and is currently involved in bidding on several major projects. Management believes that these approaches to its charges for services will soon become the manner in which most of the Company's business is conducted.

The Company's quarterly results may fluctuate from period to period. Among the principal factors influencing quarterly variations are clients' financial performances, weather, which may limit the amount of time Company professional and technical personnel have in the field; the addition of new professionals who require training and initially bill a lower percentage of their time; the timing of receipt of discharge and other permits necessary to install dewatering and recovery systems; and the opening of new offices, which initially have higher expenses relative to revenues than established offices.

On March 25, 1991, the Company paid a five-for-four stock split in the form of a 25% stock dividend to stockholders of record on March 15, 1991.

RESULTS OF OPERATIONS

NET OPERATING REVENUES

The Company's net operating revenues increased by $1,616,000 or 14.6% for the first quarter of 1992 when compared to the same period in the prior year. The overall increase in net operating revenues was assisted by the contribution of two subsidiaries, both opened during the third quarter of 1991. Handex of Illinois and Handex of the Carolinas contributed over $485,000 of the Company's net operating revenues for the first quarter of 1992. On a comparable basis, net operating revenues increased $1,130,000 or 10.2%. Performance varied by geographic location. Net operating revenues at the Company's Florida, HEM and New Jersey subsidiaries increased 36.5%, 27.5% and 14.7% respectively. However, net operating revenues decreased by 2.0% and 16.1% at the Company's Maryland and New England subsidiaries, respectively.

While net operating revenues increased during the period, the total increase fell short of Company expectations. The Company believes this shortfall was the result of expenditure reduction caused by the lower profits of oil industry clients, the direct procurement of services previously provided by or through the Company and the discretionary timing element of certain environmental remediation expenditures.

COST OF NET OPERATING REVENUES

Cost of net operating revenues for the first quarter of 1992 increased by $1,873,000 or 31.0% compared to the first quarter of 1991. As a percentage of net operating revenues, cost of net operating revenues for the first three months of 1992 increased to 62.2% versus 54.4% for the first three months of 1991. The increase in cost of net operating revenues reflects greater employee expenses incurred in order to service the actual and anticipated but unrealized higher level of net operating revenues, addition of personnel to existing benefit programs, costs associated with new, existing or upgraded facilities or equipment in New Jersey, Pennsylvania, Maryland, Florida, New England, Illinois and North Carolina, and the purchase of materials and supplies to support current and anticipated business levels. Also contributing were higher depreciation costs due to capital acquisition programs in the first quarter of 1992 and during 1991, and increases in insurance expense reflecting the increased number of employees.

GROSS PROFIT

Gross profit for the first quarter of 1992 decreased $257,000 or 5.1% when compared to the same period in 1991. As a percentage of net operating revenues, gross profit for the first quarter decreased to 37.8% from 45.6% in 1991. The decrease in gross profits was primarily attributable to increased employee expenses incurred to service an anticipated higher level of net operating revenues that did not materialize during the quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the first quarter of 1992 increased $671,000 or 26.9% compared to the same period in the prior year. As a percentage of net operating revenues, general and administrative expenses rose to 24.9% in the first quarter of 1992 from 22.5% in the first quarter of 1991. The increase was attributable to costs associated with the Company's growth in personnel, physical facilities and less than expected revenue level.

OTHER INCOME/EXPENSE

Interest expense decreased from $62,000 in the first quarter of 1991 to $2,000 in the first quarter of 1992. As a percentage of net operating revenues, interest expense declined from 0.6% in the first quarter of 1991 to less than 0.1% in the first quarter of 1992. The decrease in interest expense was the result of the absence of borrowing from the Company's revolving credit facility during the quarter. The last borrowing from this facility was paid in full in June 1991.

Interest income decreased to $130,000 in the first quarter of 1992 from $143,000 for the first quarter of 1991. As a percentage of net operating revenues, interest income in the first quarter of 1992 declined to 1.0% of net operating revenues from 1.3% in the same period a year ago. The decrease in interest income during the first quarter of 1992 was attributable to lower interest rates compared to the same period last year.

Other expenses for the first quarter of 1992 decreased to $37,000 from $103,000 in the first quarter of 1991. As a percentage of net operating revenues, other expenses for the first quarter of 1992 declined to 0.3% compared to 0.9% in the same period in 1991. The decrease in the first quarter of 1992 was attributable to a lower provision for litigation costs and lower pre-opening costs associated with new offices.

INCOME TAXES

The provision for income taxes for the first quarter of 1992 was 40.7% of income before income taxes versus 40.9% for the first quarter of 1991.

NET INCOME

Net income for the first quarter of 1992 decreased $478,000 or 31.8% compared to the same period in 1991. As a percentage of net operating revenues, net income for the first quarter of 1992 declined to 8.1% from 13.5% in the same period a year earlier. The decline was due to the combination of a higher cost structure and a lower than expected increase in net operating revenues.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company's working capital was $35,076,196 and its cash, cash equivalents and short-term investments totaled $12,646,080. These figures reflect a portion of the proceeds of the Company's initial public offering on June 29, 1989 and the Company's public offering on June 22, 1990. Working capital at March 31, 1992 reflected an increase of $820,858 from $34,255,338 at December 31,1991. During the first quarter of 1992, the Company satisfied its working capital needs primarily through cash generated by operations. During the first quarter of 1992, the Company's cash flow from operating activities was $2,792,149, compared to $1,667,872 for the first quarter of 1991. The improvement in the Company's cash flow resulted primarily from a $2,387,179 decrease in accounts receivable, which was largely a consequence of more aggressive collection efforts. The Company also has available a $5,500,000 unsecured revolving credit facility with a commercial bank. Amounts borrowed under this facility bear interest at the bank's prime rate (6.5% at March 31, 1992). The Company had no borrowing under this facility during the first quarter of 1992.

The full service approach to the Company's hydrocarbon recovery business and its continuing expansion require the Company to make substantial capital expenditures for machinery and equipment, and to incur costs associated with the establishment of new office locations and the hiring and training of new personnel. The Company intends to continue to expand its operations during 1992. However, in order to maintain its strong working capital position, the Company anticipates reducing certain planned increases in expenses in response to the anticipated reduction in its business from one of its major customers and the effect of the general economic slowdown. The Company intends to accomplish these expense reductions primarily by eliminating certain planned personnel additions during the fiscal year, as well as certain purchases of capital equipment. During the 1992 quarter, the Company spent approximately $1,000,000 on capital equipment and anticipates spending up to $2,100,000 during 1992.

Management believes that current cash and cash equivalents together with cash generated by operations, and the funds available under its revolving credit facility will provide the liquidity necessary to support its current and anticipated operations and anticipated capital expenditures through the end of 1993.

Form 10Q - Part II: Other Information
EXHIBIT INDEX

Item 6. **Exhibits**

Exhibit Number	Description of Documents
3.1	Amended Certificate of Incorporation of the Registrant*
3.2	By-Laws of the Registrant*
4.1	Specimen Certificate for Shares of Common Stock, $.01 par value, of the Registrant*
4.2	Unsecured Revolving Loan Agreement**
4.3	Working Capital Line of Credit Note**
15.0	Letter from Independent Certified Public Accountants***

* Incorporated herein by reference to the appropriate exhibits to the Registrant's Registration Statement on Form S-1 (File No. 33-28798).

** Incorporated herein by reference to the appropriate exhibit to the Registrant's Quarterly Report or Form 10-Q for the period ended June 30, 1990.

*** Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

HANDEX ENVIRONMENTAL RECOVERY, INC.
(Registrant)

Date: 5/14/97

By: ______________________
John T. St. James
(Duly authorized officer and
Principal Financial Officer)

EXHIBIT 15.0

KPMG Peat Marwick

Certified Public Accountants

1600 National City Center
Cleveland, OH 44114

FORM 10-Q, PART II
Item 6
Exhibit 15.0

The Board of Directors
Handex Environmental Recovery, Inc.
and Subsidiaries

We have reviewed the condensed consolidated balance sheet of Handex Environmental Recovery, Inc. and subsidiaries as of March 31, 1992, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 1992 and 1991 in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Handex Environmental Recovery, Inc. and subsidiaries as of December 31, 1991, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1991, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Peat Marwick

Cleveland, Ohio
May 1, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992, Commission File No. 0-17981

Hawk Marine Power, Inc.
(Exact name of registrant as specified in its charter)

Florida	59-1886450
State or other jurisdiction of incorporation of organization	I.R.S. Employer I.D. No.

3025 N.E. 188th St. Aventura, FL	33180
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (305) 932-9230

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X]Yes [ ]No

Shares of Common Stock outstanding at May 1, 1992 were 2,790,198

Total number of pages contained in this document: 10

HAWK MARINE POWER, INC.

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Condensed Consolidated Balance Sheets -- March 31, 1992 and September 30, 1991.

Condensed Consolidated Statements of Operations -- The Three months ended and the Six months ended March 31, 1992 and 1991.

Condensed Consolidated Statements of Cash Flows -- Six months ended March 31, 1992 and 1991.

Notes to Condensed Consolidated Financial Statements -- March 31, 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II. OTHER INFORMATION

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-K.

PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements

HAWK MARINE POWER, INC.
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (UNAUDITED)	September 30 1991
ASSETS		
CURRENT ASSETS		
Cash in Bank	$ 224,221	$ 41,922
Accounts Receivable	76,112	166,936
Inventory	497,084	589,440
Inventory - Discontinued Operations	-	85,000
Prepaid Expenses	6,764	15,665
Purchase Deposits	44,500	29,100
Total Current Assets	848,681	928,063
PROPERTY AND EQUIPMENT - at cost		
Office Furniture and Equipment	34,775	33,817
Shop Equipment	164,824	164,523
Leasehold Improvements	28,522	28,522
	228,121	226,862
Less Accumulated Depreciation	139,820	128,911
	88,301	97,951
Total Assets	$ 936,982	$ 1,026,014

See Notes to Consolidated Financial Statements

HAWK MARINE POWER, INC.
CONSOLIDATED BALANCE SHEETS (CONT.)

	March 31 1992 (UNAUDITED)	September 30 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Maturities on Long-Term Debt	$ 410,637	$ 418,936
Accounts Payable	113,010	157,649
Accrued Expenses	116,678	67,118
Customer Deposits	122,761	-
Total Current Liabilities	763,086	643,703
LONG-TERM DEBT (Less current maturities included above)	2,743	4,892
Total Liabilities	765,829	648,595
SHAREHOLDERS' EQUITY		
Common Stock - $.001 par value - authorized - 50,000,000 shares; issued and outstanding 2,490,198 shares and 2,490,198 shares	2,490	2,490
Additional Paid-In Capital	1,347,045	1,347,045
Accumulated Deficit	(1,178,382)	(972,116)
Total Shareholders' Equity	171,153	377,419
Total Liabilities and Shareholders' Equity	$ 936,982	$ 1,026,014

See Notes to Consolidated Financial Statements

HAWK MARINE POWER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months Ended March 31		Six Months Ended March 31	
	1992	1991	1992	1991
Net Sales	$ 391,847	$ 677,025	$ 800,653	$ 1,305,856
Cost of Sales	393,433	572,685	777,202	1,118,308
	(1,586)	104,340	23,451	187,548
Expenses				
Selling, General and Administrative	115,664	140,725	212,409	317,154
Interest (Net)	18,279	10,712	29,874	20,199
Total Expenses	133,943	151,437	242,283	337,353
Loss from Continuing Operations	(135,529)	(47,097)	(218,832)	(149,805)
Income from Discontinued Operations (Note B)	12,565	-	12,565	-
Net Loss	($ 122,964)	($ 47,097)	($ 206,267)	($ 149,805)
Earnings (Loss) Per Share from Continuing Operations	($ .06)	($ .02)	($ .09)	($ .06)
Earnings (Loss) Per Share from Discontinued Operations (Note C)	.01	-	.01	-
Loss Per Common Share	($ .05)	($ .02)	($ .08)	($ .06)
Weighted Average Shares Outstanding	2,490,198	2,490,198	2,490,198	2,550,198

See Notes to Consolidated Financial Statements

HAWK MARINE POWER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Six Months Ended March 31 1992	Six Months Ended March 31 1991
OPERATING ACTIVITIES:		
Net Loss	($ 206,267)	($ 149,469)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	10,909	13,676
(Increase) Decrease in:		
Accounts Receivable - Trade	90,824	255,550
Inventory	177,356	(97,327)
Prepaid Expenses	8,901	2,583
Purchase Deposits	(15,400)	(23,500)
Increase (Decrease) in:		
Accounts Payable	(6,700)	(20,295)
Accrued Expenses	42,927	(33,380)
Taxes Payable	1,087	(531)
Customer Deposits	90,367	65,763
Net Cash (Used) Provided by Operating Activities	194,004	13,070
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(1,258)	(28,748)
Net Cash Used by Investing Activities	(1,258)	(28,748)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Payments on Capital Lease Obligations	(10,447)	8,105
Net Cash (Used) Provided by Financing Activities	(10,447)	8,105
Net Increase (Decrease) In cash	182,299	(7,573)
CASH AT THE BEGINNING OF THE PERIOD	41,922	165,469
CASH AT THE END OF THE PERIOD	$ 224,221	$ 157,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of HAWK MARINE POWER, INC. have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered to be necessary for a fair presentation have been included.

Operating results for the three months and six months ended March 31, 1992, are not necessarily indicative of the expected results for the year ending September 30, 1992. For further information, refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended September 30, 1991.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

For the quarter ended March 31, 1992, the Company incurred a net loss of $122,964 compared to a loss of $47,097 for the quarter ended March 31, 1991. Revenues of $391,847 during the current quarter decreased 42% from $677,025 in the second quarter of fiscal 1991. The increase in losses, and decrease in revenues from continuing operations during the current year is due to the economic recession.

The loss during the current quarter was comprised of losses from continuing operations of $135,529 and income of $12,565 from the Company's discontinued boatbuilding operations. The income from discontinued operations resulted from an excess provision for legal expenses during the 1990 fiscal year. There was no income or loss from discontinued operations during the first quarter of 1992 or for the quarter ended March 31, 1991.

For the six months ended March 31, 1992, losses from operations were $218,832 compared to losses of $149,805 for the same period in 1991. Revenues of $800,653 decreased by 39% from sales of $1,305,856 in 1991. There was no income or loss from discontinued operations during the six months ended March 31, 1991.

Second quarter engine sales and engine rebuild revenues of $320,929 decreased $251,456, a change of 44% from the quarter ended March 31, 1991. Service revenues totalled $18,544 for the current quarter, a decrease of 73% from $69,726 during the same period last year. Engine and Service sales declined due to the poor economy. Due to high operating costs, fewer customers are using their boats.

There was no gross profit for the second quarter of 1992 compared to a 15% gross profit in the second quarter of 1991. Since the Company's cost of sales is predominately fixed, lower revenues caused product and overhead costs to become a higher percentage of selling price, thus decreasing gross profit. The lower profit percentage was not a direct reflection of the relationship between unit product cost and selling price.

Selling, general and administrative expenses for the quarter ended March 31, 1992 were $133,943, a 12% decrease from $151,437 for the second quarter of 1991. This was due to a reduction in office salaries, lower advertising expenses, and legal and accounting fees.

Based on the order backlog of $590,000 at May 15, 1992, the Company expects improved operating results during the third quarter.

Results of Operations - Continued

Liquidity and Capital Resources

The Company had cash on hand in the amount of $224,221 at March 31, 1992 compared to $41,922 at September 30, 1991 and $157,895 at March 31, 1991. Working capital decreased from $284,360 at September 30, 1991 to $85,595 at the end of the current quarter. The current ratio decreased from 1.44:1 at September 30, 1991 to 1.11:1 at the end of the current quarter. The decrease in working capital resulted from current period operating losses. The Company does not anticipate any capital expenditures during the next quarter. Based on the current order backlog, the Company should generate sufficient cash flow to meet its obligations.

The Company secured new financing in April 1992 which will enable it to satisfy its obligation of $405,000 in notes payable which matured November 1, 1991. The Company issued notes in the amount of $200,000 due in July of 1992, carrying an interest rate of 8%. Currently, the Company does not have the resources to satisfy its obligation in July but believes it will be able to extend the notes at that time if alternative financing is not available.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits: None.

(b) The Company filed a report on Form 8-K April 14, 1992 to report other information pursuant to Item 5.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by a duly authorized Officer and by the Chief Financial Officer of the Registrant.

Hawk Marine Power, Inc.
(Registrant)

Date: May 15, 1992

By: ______________________
Martin K. Weinbaum
Vice President
Chief Financial Officer

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[¶9156] UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Q 33680

K92-2266

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended .... March 31, 1992 ....

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to ....

Commission file number .... 33-35454 ....

...... Health Club Television Network, Inc. ....

(Exact name of registrant as specified in its charter)

New York	94-3082476
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer) Identification No.)

/ 3Q

369 Lexington Avenue	New York, NY	10017
(Address of principal executive offices)		(Zip Code)

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(212) 599-2002 ....

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes .X. No ...

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ... No ...

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. March 31, 1992 - 3,985,793 shares

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HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 801,111	$ 72,827
Prepaid expenses and other current assets	49,923	51,507
Total	851,034	124,334
Furniture, equipment and software, net of accumulated depreciation of $156,396 in 1992 and $106,568 in 1991	932,199	877,340
Other assets:		
Due from vendor	176,038	176,038
Note receivable	20,084	18,565
Deferred compensation	39,000	39,000
Security deposits	14,346	11,520
Other	1,016	1,016
Total	250,484	246,139
TOTAL	$ 2,033,717	$ 1,247,813

LIABILITIES

	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable and accrued expenses	$ 1,000,552	$ 993,724
Current portion of notes payable	325,000	75,000
Current portion of obligations under capitalized leases	4,002	4,133
Total	1,329,554	1,072,857
Notes payable - long-term	100,000	100,000
Obligations under capitalized leases - less current portion	7,183	7,183
Total	1,436,737	1,180,040

STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Common stock - $.001 per share par value, authorized 10,000,000 shares, issued and outstanding 3,985,793 shares (1992) 3,363,049 shares (1991)	3,986	3,363
Additional paid-in capital	6,727,880	5,751,627
(Deficit) accumulated during the development stage	(6,124,886)	(5,677,217)
Total	606,980	77,773
Stock subscription receivable	(10,000)	(10,000)
	596,980	67,773
TOTAL	$ 2,033,717	$ 1,247,813

Attention is directed to the accompanying notes to condensed financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	For The Period From June 20, 1988 (Inception) to March 31, 1992
Revenue.	$ - 0 -	$ - 0 -	$ 128,423
Operating expenses:			
Production and programming. . .	29,805	181,989	973,658
Marketing and selling	129,186	218,185	1,728,227
Consulting.	10,975	32,781	895,620
General and administrative. . .	266,436	233,253	2,200,269
Total operating expenses	436,402	666,208	5,797,774
Operating (loss)	(436,402)	(666,208)	(5,669,351)
Interest expense	(11,267)	(113,582)	(486,882)
Interest income.		23,787	31,347
NET (LOSS)	$ (447,669)	$ (756,003)	$(6,124,886)
Weighted average number of common shares outstanding.	3,387,390	2,610,999	
Net (loss) per common share. . . .	$(.13)	$(.29)	

Attention is directed to the accompanying notes to condensed financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	For the Period From June 20, 1988 (Inception To March 31, 1992
Cash flows from operating activities:			
Net (loss)	$ (447,669)	$ (756,003)	$(6,124,886
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Depreciation and amortization	49,828	3,081	159,197
Value of compensation paid by issuance of stock			431,587
Amortization of discount on notes payable		106,068	361,807
(Loss) on surrender of equipment			10,202
Changes in operating assets and liabilities:			
(Increase) decrease in other current assets	1,584	(1,741)	(49,923
(Increase) in security deposits	(2,826)	(400)	(14,346
Increase in deferred compensation			(39,000
Increase in due from vendor			(176,038
(Increase) in other assets			(2,116
Increase (decrease) in accounts payable and accrued expenses	6,828	(241,152)	990,724
Increase in prepaid revenues		67,500	
Net cash (used in) operating activities	(392,255)	(822,647)	(4,452,792
Cash flows from investing activities:			
Purchase of equipment and furniture	(104,687)	(92,533)	(1,074,583
Note receivable	(1,519)		(20,084
Net cash (used in) investing activities	(106,206)	(92,533)	(1,094,667
Cash flows from financing activities:			
Payments on leases payable	(131)	(720)	(4,902
Proceeds from notes payable	250,000		1,498,800
Repayment of notes payable		(1,027,500)	(1,073,800
Proceeds from sale of stock net of registration costs and expenses	976,876	3,043,963	5,928,472
Increase in deferred registration costs		147,660	
Net cash provided by financing activities	1,226,745	2,163,403	6,348,570
NET INCREASE IN CASH	728,284	1,248,223	801,111
Cash and cash equivalents - beginning	72,827	9,199	
CASH AND CASH EQUIVALENTS - END	$ 801,111	$ 1,257,422	$ 801,111

(continued)

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	For the Period From June 20, 1988 (Inception To March 31, 1992
Supplemental disclosures of cash flow information:			
Interest paid	$ 3,363	$ 66,876	$ 33,680
Schedule of noncash investing and financing transactions:			
Investing:			
Cost of equipment and furniture	$104,687	$ 92,533	$1,100,498
Equipment leases			(25,915)
Cash used for purchase of eq ipment and furniture	$104,687	$ 92,533	$1,074,583
Financing:			
Value of stock issued	$976,876	$3,043,963	$6,731,866
Stock subscription receivable			(10,000)
Value of common stock issued for services			(431,587)
Value of common stock issued in connection with loans			(361,807)
Proceeds from sale of stock	$976,876	$3,043,963	$5,928,472

Attention is directed to the accompanying notes to condensed financial statements.

(NOTE A) - Development Stage: (continued)

Under an agreement with Bally's Health & Tennis Corporation ("BHTC"), the Company conducted a pilot-test of its video systems at selected health clubs owned by BHTC. The pilot-test commenced in June 1991 in New York City, in August 1991 in Chicago, in November 1991 in Atlanta and in January 1992 in Los Angeles. The test entailed, among other things, acquisition and installation of viewing systems, program production and market research. If the pilot-test is successful, the Company expects its agreement with BHTC to be extended. The Company has not completed an evaluation of the results of the pilot-test. There is no assurance that the pilot-test will be successful or that the BHTC agreement will be extended.

During 1991, the Company commenced installation of radio equipment in certain health clubs and commenced its radio network operations in April 1992. The Company has a letter of intent from the Sound Products division of the 3M Company ("3M") under which 3M will lease satellite equipment to the Company and install the Company's radio equipment in specified health clubs.

(NOTE B) - Private Placement Offering of Common Stock:

In January 1992 the Company offered in a private placement, 50 units, each unit consisting of 33,333 shares of common stock, for $50,000 per unit (subject to a minimum sale of 10 units). At March 31, 1992 $825,000 in proceeds was raised pursuant to this offering and is included in common stock. As of May 1, 1992 an additional $285,000 was received under this offering.

(NOTE C) - Exercise of Stock Purchase Warrants:

Under an offer to holders of warrants commencing in June 1991 (subsequently extended on five occasions to June 7, 1992), warrants to purchase 69,750 shares of common stock at $2.50 per share were exercised between January 1, 1992 and March 31, 1992, resulting in proceeds of $174,375. Subsequent to March 31, 1992 warrants to purchase 50,000 shares of common stock were exercised and proceeds of $125,000 were received.

(NOTE D) - Net Loss Per Common Share:

Net loss per common share is based on the weighted average number of common shares outstanding during the periods. Stock issued within one year of the initial public offering at a price below that of the public offering price is treated as outstanding for the entire period.

(continued)

(NOTE E) - Contingencies:

In October 1988, the Company and its founders entered into an agreement with four individuals for production services. The agreement provided for payment of $5,000 a month for four months, an employment agreement with each individual at a salary of $11,000 per month and for the issuance to them of stock equal to 12% of the outstanding shares of the Company all subject to performance by the individuals. The Company has not paid any monies to them, has not entered into employment agreements nor issued any stock to them since it claims they did not perform under the agreement. In May 1989 the individuals offered to settle the matter for $20,000 plus their legal fees and a reasonable additional payment should the Company go forward successfully. No settlement was reached by the parties. On April 26, 1991 the Company received a letter from the attorney for the individuals, reasserting their claims. No further demand or claim has been made in this matter.

A claim against the Company was asserted by a consultant in 1990 for $58,550, 5,232 shares of common stock and warrants to purchase units at $3.00 per unit. The Company denies all of such claims as without any merit except with respect to payment of $2,250 per month for 12 months commencing after the consummation of the offering. In December 1991 the consultant commenced a suit against the Company seeking compensatory damages of $40,000 and punitive damages of $1,000,000 for the Company's allegedly causing its attorney to refuse to issue a Rule 144 opinion letter for the sale of his restricted stock. The suit also seeks an order of the Court directing the Company's attorney to issue such an opinion letter. The Company denies the claim as being without any merit, and has moved for summary judgment.

In November 1991, the holders of a $100,000 promissory note payable by the Company in January 1993 commenced an action seeking to accelerate the due date of the note. The Company believes that there has been no default under the note which could accelerate its due date.

In December 1991, the Company commenced an action against a vendor, which the Company had engaged for purchase and installation of its radio and TV equipment, and several of its employees and officers, for breach of contract, conversion of its property, fraud and defamation. The vendor has also brought a claim against the Company for alleged breach of contract and alleged unpaid services seeking damages of approximately $700,000. The Company believes this suit is without merit in that the Company has paid the vendor all sums due it and that the vendor breached the contract between it and the Company.

(continued)

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(NOTE E) - Contingencies: (continued)

In February 1992, a vendor commenced a suit for alleged breach of contract and unpaid services, seeking damages of approximately $150,000. The Company believes this matter will be settled in the near future.

Various vendors have commenced suits or asserted claims against the Company for alleged services rendered aggregating $79,000. Of this amount $38,000 has been recorded as a liability in the financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company has been in the development stage since its inception in June 1988. During this time period the Company has been planning its operations, testing and developing video hardware delivery systems, acquiring and editing video and audio programming networks, soliciting advertiser commitments and health club subscriber locations and raising capital.

As part of its plan of operations the Company has completed a pilot-test of its video systems at selected health clubs which commenced in June 1991 at the Vertical Club in New York City, August 1991 at the North Shore Health Club in Chicago, November 1991 in Atlanta and January 1992 in Los Angeles. The pilot-test entailed, among other things, acquisition and installation of viewing systems, program production and independent market research.

Preliminary pilot research from New York and Chicago shows in the area of brand awareness, 15 of eighteen brands scored higher from prewave to postwave testing. These findings are preliminary, therefore further results of the pilot study must be tabulated before any definitive conclusions are drawn.

In addition, the Company has commenced installation of its Health Club Radio Network in the fourth quarter of 1991 in four clubs in New York and New Jersey and has currently installed an additional 60 clubs which are ready to air.

During the period from June 20, 1988 (inception) to December 31, 1988, for the years ended December 31, 1989 and December 31, 1990 and for the three month ended March 31, 1992 the Company had operating losses of $537,371, $313,415, $1,506,078, $2,876,085 and $436,402, respectively. During those periods the Company incurred interest expense, including amortization of discount on notes payable of $18,135, $67,777, $261,116, $128,587, and $11,267, respectively.

Operating expenses decreased by $229,806 for the three months ended March of 1992 in comparison to March of 1991. The decrease is attributable to the TV pilot test and the elimination of associated programming and installation costs.

Interest expense for the quarter ended March 31, 1992 decreased by $102,315 compared to the quarter ended March 31, 1991 as a result of the absence of loans repaid from proceeds of the public offering in January 1992. Interest expense for the three months ended March 31, 1991 includes $106,068 of discount written off upon the repayment of such loans.

The Company expects to incur additional losses in its development stage.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Since the Company's inception in June 1988 it has financed its development stage operations through the sale of common stock for cash, issuance of common stock for various services and borrowings for which it issued common stock as additional consideration.

On January 11, 1991 the Company sold, in a public offering 1,250,000 units; each unit consisting of one share of common stock and one redeemable common stock purchase warrant. Proceeds from the sale, net of underwriting commissions and expenses were approximately $3,044,000. From these proceeds the Company used $1,094,000 to repay bridge loans and promissory notes, including interest thereon, and $83,000 to pay accounts payable and accrued expenses related to the offering. The balance of the proceeds ($1,867,000) was added to working capital. A significant portion of the proceeds was used in connection with the pilot-tests referred to above.

On June 14, 1991, the Company offered holders of warrants exercisable at $4.00 per share, the right to exercise such warrants at $2.50 per share for a period of 30 days. The offer was extended on five occasions and is now scheduled to expire on June 7, 1992. Pursuant to this offer warrants to purchase 599,272 shares of common stock were exercised through December 31, 1991 resulting in proceeds of $1,441,081 net of offering expenses of $56,500. An additional 119,750 shares were exercised from January 1, 1992 to May 8, 1992 resulting in proceeds of $299,375.

On December 31, 1991 the Company entered into a loan agreement with Harrison M. Gray, Robert Gray, and Eugene Schwartz (all executive officers, directors, and principal shareholders of the Company) wherein they agreed to lend to the company an aggregate amount of $75,000. In January 1992, the Company offered in a private placement 50 units, each unit consisting of 33,333 shares of common stock, for $50,000 per unit (subject to a minimum sale of 10 units). At May 1, 1992, $1,110,000 in proceeds had been raised pursuant to this offering.

On January 21, 1992, the Company borrowed $250,000 from Royce Investment Group with interest at 12% per annum. The term of the Loan is six months, however, it is pre-payable from the first proceeds of a private placement of restricted shares of the company's common stock or from the exercise of the Company's publicly traded investor warrants. The company agreed to pay a commission to Royce Investment Group of $14,146.67.

HEALTH CLUB TELEVISION NETWORK, INC.

(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In April 1992 the Company has commenced operations of Health Club Radio Network and has acquired the necessary receiving and playback equipment for installation of 75 sites. Substantial additional financing will be required to complete its installation schedule of clubs. The Company is currently exploring several alternatives for additional financing, including the private placement currently being offered, but there is no assurance that such can be obtained.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.
Previously reported.

Item 2. Changes in Securities.
None.

Item 3. Defaults upon Senior Securities.
None.

Item 4. Submission of Matters to a Vote of Security Holders.
None.

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K.
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTH CLUB TELEVISION NETWORK, INC.
Registrant

Dated: May 13, 1992

Robert Gray, Chief Executive Officer

Dated: May 13, 1992

Lorraine Pascarella, Vice President,
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

L92-2266

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-19036

PROCESSED BY
34-34-U
MAY 2 1992

LIBERTY MEDIA CORPORATION
(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

State of Delaware
(State or other jurisdiction of incorporation or organization)

84-1146903
(I.R.S. Employer Identification No.)

L3Q

2232 Dell Range Boulevard, Suite 305
Cheyenne, Wyoming
(Address of principal executive offices)

82009
(Zip Code)

Registrant's telephone number, including area code: (307) 637-8253

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

The number of shares outstanding of the registrant's common stock, as of April 30, 1992, was:

Class A common stock - 10,203,000 shares; and
Class B common stock - 5,417,540 shares.

(This document contains 34 pages)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	Liberty	
Assets	March 31, 1992	December 31, 1991*
	amounts in thousands	
Cash and cash equivalents	$ 72,441	99,589
Trade and other receivables	22,928	18,727
Less allowance for doubtful receivables	699	750
	22,229	17,977
Due from Tele-Communications, Inc. ("TCI") (note 14)	2,550	26,055
Prepaid expenses	9,151	5,567
Investments in affiliates, accounted for under the equity method, and related receivables (note 6)	163,289	115,406
Other investments, at cost, and related receivables (note 7)	301,804	298,716
Investment in TCI common stock (note 8)	104,011	104,011
Property and equipment, at cost:		
Land	77	77
Cable distribution systems	30,710	25,581
Support equipment and buildings	17,705	17,005
	48,492	42,663
Less accumulated depreciation	16,436	15,758
	32,056	26,905
Franchise costs	29,924	9,377
Less accumulated amortization	1,137	1,078
	28,787	8,299
Sports program rights agreements, at cost, net of amortization	19,297	20,194
Affiliate agreements, at cost, net of amortization	16,409	17,315
Distribution agreements, at cost, net of amortization	1,947	2,275
Other assets, at cost, net of amortization	3,396	3,186
	$777,367	745,495

*Restated - see note 6.

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets, continued

	Liberty	
	March 31, 1992	December 31, 1991*
	amounts in thousands	
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 23,834	16,916
Film licenses payable	9,952	7,387
Subscriber advance payments	8,289	6,136
Debt (note 9)	90,495	63,634
Deferred income taxes (note 11)	58,581	56,088
Other liabilities	4,714	4,809
Total liabilities	195,865	154,970
Minority interests in equity of consolidated subsidiaries (note 10)	10,748	13,747
Preferred stocks, subject to mandatory redemption requirements and accreted dividends (note 12):		
Class A Redeemable Convertible Preferred Stock, $.01 par value	11,861	11,592
Class B Redeemable Exchangeable Preferred Stock, Series 1, $.01 par value	114,648	112,307
Class D Redeemable Voting Preferred Stock, $.01 par value	19,035	18,581
	145,544	142,480
Stockholders' equity (notes 2, 8, 13 and 15):		
Class C Redeemable Preferred Stock, $.01 par value. Authorized 400,000 shares; issued and outstanding 399,299 shares in 1991	4	4
Class E Cumulative Redeemable Exchangeable Junior Preferred Stock, $.01 par value. Authorized 2,000,000 shares; issued and outstanding 1,627,026 shares in 1991	16	16
Class A common stock, $1 par value. Authorized 100,000,000 shares; issued and outstanding 10,848,520 shares in 1991	10,755	10,848
Class B common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 5,421,740 shares in 1991	5,422	5,422
Additional paid-in capital	424,668	431,313
Accumulated deficit	(1,911)	--
Note receivable from related party	(13,744)	(13,305)
	425,210	434,298
Commitments and contingencies (notes 6, 9 and 15)		
	$777,367	745,495

*Restated - see note 6.

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations
(unaudited)

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Revenue:		
From TCI (note 14)	$10,626	3,879
From other sources	22,107	17,529
	32,733	21,408
Operating costs and expenses:		
Operating	19,983	15,276
Selling, general and administrative	8,967	9,682
Charges by TCI (note 14)	1,301	495
Compensation relating to stock appreciation rights	3,465	--
Depreciation	678	1,246
Amortization	2,683	2,747
	37,077	29,446
Operating loss	(4,344)	(8,038)
Other income (expense):		
Interest expense to TCI (note 14)	--	(98)
Other interest expense	(1,497)	(1,685)
Dividend and interest income, primarily from affiliates	6,597	6,736
Share of earnings (losses) of affiliates, net	(2,937)	659
Minority interests in losses of consolidated subsidiaries	3,080	3,817
Other, net	85	42
	5,328	9,471
Earnings before income taxes	984	1,433
Income tax expense	(2,895)	(5)
Net earnings (loss)	(1,911)	1,428
Dividend requirement on redeemable preferred stocks	(8,988)	
Net loss attributable to common shareholders	$(10,899)	
Loss per common share	$ (.67)	

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

(unaudited)

	Preferred Stock		Common stock					
	Class C	Class E	Class A	Class B	Additional paid-in capital	Accumulated earnings	Note receivable from related party	Total stock-holders' equity
				amounts in thousands				
Liberty:								
Balance at January 1, 1992*	$ 6	16	10,848	5,422	431,313	--	(13,305)	434,298
Accreted dividends on all classes of redeemable preferred stocks	--	--	--	--	(8,988)	--	--	(8,988)
Accreted dividends on classes of preferred stock not subject to mandatory redemption requirements	--	--	--	--	5,923	--	--	5,923
Acquisition and retirement of common stock	--	--	(93)	--	(3,580)	--	--	(3,673)
Accrued interest on note receivable from related party	--	--	--	--	--	--	(439)	(439)
Net loss	--	--	--	--	--	(1,911)	--	(1,911)
Balance at March 31, 1992	$ 6	16	10,755	5,422	424,668	(1,911)	(13,744)	425,210

*Restated - see note 6.

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(unaudited)

	Liberty	Predecessor Companies
	Three months ended March 31, 1992	Three months ended March 31, 1991
	amounts in thousands (see note 5)	
Cash flows from operating activities:		
Net earnings (loss)	$ (1,911)	1,428
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,361	3,993
Compensation relating to stock appreciation rights	3,465	--
Share of losses (earnings) of affiliates	2,937	(659)
Deferred income tax expense	2,493	108
Minority interests in losses	(3,080)	(3,817)
Noncash interest and dividends	(4,186)	(5,549)
Amortization of debt discount	489	455
Other noncash charges	--	12
Changes in operating assets and liabilities, net of effect of acquisitions:		
Change in receivables	(3,792)	(1,695)
Change in due from TCI other than purchase of commercial paper	1,448	(150)
Change in prepaid expenses	(3,504)	(1,487)
Change in payables and accruals	6,799	1,832
Net cash provided (used) by operating activities	4,519	(5,529)
Cash flows from investing activities:		
Cash resulting from consolidation of a certain affiliate, net of payment therefor	1,269	--
Capital expended for property and equipment	(419)	(845)
Additional investments in and loans to affiliates and others	(51,515)	(3,368)
Repayment of commercial paper from TCI	22,057	--
Return of capital from affiliates	--	725
Collection of loans to affiliates and others	1,384	1,610
Other investing activities	(569)	(1,113)
Net cash used in investing activities	(27,793)	(2,991)
Cash flows from financing activities:		
Borrowings of debt	--	27
Repayments of debt	(281)	(2,192)
Purchases and retirement of common stock	(3,674)	--
Contributions or advances from parent	--	8,018
Contributions by minority shareholders of subsidiary	81	1,893
Net cash provided (used) by financing activities	(3,874)	7,746
Net decrease in cash	(27,148)	(774)
Cash and equivalents at beginning of period	99,589	8,068
Cash and equivalents at end of period	$ 72,441	7,294

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 1992
(unaudited)

(1) Formation and Related Transactions

The accompanying consolidated financial statements include the accounts of Liberty Media Corporation and those of all majority-owned subsidiaries ("Liberty" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

During February of 1991, Liberty, a then newly-formed Delaware corporation and a then indirect wholly-owned subsidiary of TCI, distributed to certain security holders of TCI the transferable right (the "Class A Exchange Right") to exchange shares of TCI Class A common stock for shares of Liberty Class A common stock at an exchange rate of one share of Liberty Class A common stock for every 16 shares of TCI Class A common stock exchanged, and the transferable right (the "Class Exchange Right") to exchange shares of TCI Class B common stock for shares of Liberty Class B common stock at an exchange rate of one share of Liberty Class B common stock for every 16 shares of TCI Class B common stock exchanged (the "Exchange Offers").

The Class A Exchange Rights were issued to the holders of shares of TCI Class A common stock, on the basis of one Class A Exchange Right for every 200 shares of TCI Class A common stock held of record, and to the holders of certain options and convertible debt securities (including TCI's 7% Convertible Subordinated Debentures, due October 1, 2012) that are exercisable for or convertible into TCI Class A common stock on the basis of one Class A Exchange Right for every 200 shares of TCI Class A common stock issuable on exercise or conversion of such securities. The Class B Exchange Rights were issued to the holders of shares of TCI Class B common stock, on the basis of one Class B Exchange Right for every 200 shares of TCI Class B common stock held of record, and to the holders of certain options to purchase TCI Class B common stock on the basis of one Class B Exchange Right for every 200 shares of TCI Class B stock issuable on exercise of the options.

On March 28, 1991, the Company issued 544,606 shares of Liberty Class A common stock and 171,107 shares of Liberty Class B common stock in the consummation of the Exchange Offers in exchange for 8,713,696 shares of TCI Class A common stock and 2,737,712 shares of TCI Class B common stock (the "Exchange").

Also, on March 28, 1991, various subsidiaries of TCI contributed their interests in certain cable television programming businesses and cable television systems to the Company (the "Contribution") and the Company issued to said subsidiaries of TCI shares of several different classes and series of the Company's preferred stock (more fully described in notes 12 and 13) with an aggregate issue price of $624,295,000; and the one share of Liberty common stock owned by TCI on the date thereof was redeemed for its par value.

In these notes to the consolidated financial statements, any reference to TCI in connection with the issuance of the Company's preferred stock includes subsidiaries of TCI.

(continued)

(2) Basis of Presentation

For financial reporting purposes, the Exchange and the Contribution (the "Transactions") are deemed to be effective on March 31, 1991. The accompanying consolidated balance sheet at March 31, 1992, the statements of operations for the three months ended March 31, 1992 and the statement of cash flows for the three months ended March 31, 1992 present the financial position of the Company after giving effect to the Transactions. The accompanying statement of operations for the three months ended March 31, 1991 and the statement of cash flows for the three months ended March 31, 1991, representing a combination of certain programming interests and cable television assets of TCI (referred to herein as the "Predecessor Companies"), are presented for comparative purposes. The Company's fiscal year ends on December 31.

The Company's accounting basis in each share of TCI common stock acquired in the Exchange is $16 (the average of the high and low sales price for shares of both classes of TCI common stock on February 6, 1991, the record date of the Exchange Offers). The Company's interests in the cable television programming businesses and cable television systems received in the Contribution are accounted for at TCI's historical cost. The excess of the aggregate issue amount of the preferred stock issued to TCI over the basis for accounting purposes in the net assets received in the Contribution is accounted for by the Company similar to a "preferential dividend" by deducting such amount from stockholders' equity.

The subsidiaries of TCI which were contributed to the Company are separately operated. As such, there were no material expenses incurred by TCI on behalf of these subsidiaries. Therefore, no allocation of expenses (other than the allocation of income taxes described in note 11) has been reflected in the financial statements of the Predecessor Companies.

(3) General

The accompanying interim financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year.

(4) Summary of Significant Accounting Policies

Cash and Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have original maturities of three months or less.

(continued)

Investments

Investments in which the ownership interest is less than 20% are generally carried at cost. For those investments in affiliates in which the Company's voting interest is 20% to 50%, the equity method of accounting is generally used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of the Company's investment in, advances to and guarantees for the investee. The Company's share of net earnings or losses of affiliates includes the amortization of purchase adjustments.

Property and Equipment

Property and equipment is stated at cost which includes acquisition costs allocated to tangible assets acquired. Construction costs, including interest during construction and applicable overhead, are capitalized. Interest capitalized was not material.

Depreciation is computed on a straight-line basis using estimated useful lives of 5 to 15 years for cable distribution systems and 3 to 40 years for support equipment and buildings.

Repairs and maintenance are charged to operations, and renewals and additions are capitalized. At the time of ordinary retirements, sales or other dispositions of property, the original cost and cost of removal of such property are charged to accumulated depreciation, and salvage, if any, is credited thereto. Gains or losses are only recognized in connection with the sale of properties in their entirety. However, recognition of gains on sales of properties to affiliates accounted for under the equity method is deferred in proportion to the Company's ownership interest in such affiliates.

Franchise Costs

Franchise costs include the difference between the cost of acquiring cable television systems and amounts assigned to their tangible assets. Such amounts are generally amortized on a straight-line basis over 40 years. Costs incurred by Liberty in obtaining franchises are being amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years.

Other Intangible Assets

Other intangible assets consist of amounts (in excess of the tangible assets) assigned to sports program rights agreements, affiliate agreements and distribution agreements. These amounts are amortized over the respective lives of the agreements ranging from 1 to 10 years.

(continued)

Loss Per Common Share

Loss per common share for the three months ended March 31, 1992 was computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding (16,215,760 for the three months ended March 31, 1992). Common stock equivalents were not included in the computation of weighted average shares outstanding because their inclusion would be anti-dilutive.

(5) Supplemental Disclosures to Consolidated Statements of Cash Flows

Cash paid for interest was $1,226,000 and $1,493,000 for the three months ended March 31, 1992 and 1991, respectively. Cash paid for income taxes was $1,080,000 for the three months ended March 31, 1992.

Significant noncash investing and financing activities:

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Cash resulting from consolidation of a certain affiliate, net of payment therefor:		
Fair value of assets acquired	$(26,186)	--
Net liabilities assumed	27,485	--
Payment for additional interest	(30)	--
Cash acquired	$ 1,269	--
Accrued preferred stock dividends	$ 8,988	--
Transfers of assets (other than those in the Contribution), net of liabilities, from TCI	$ --	3,763

(continued)

(6) Investments in Affiliates

Liberty has several investments in affiliates accounted for under the equity method. Summarized unaudited results of operations for such affiliates are as follows:

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
Revenue	$ 383,053	331,888
Operating expenses	(297,998)	(269,379)
Depreciation and amortization	(36,748)	(24,435)
Operating income	48,307	38,074
Interest expense	(30,416)	(25,259)
Other, net	(12,012)	(1,665)
Net earnings	$ 5,879	11,150

The following table reflects the carrying value of the Company's investments accounted for under the equity method, including related receivables, as of March 31, 1992 (amounts in thousands):

QVC Network, Inc. ("QVC")	$ 46,468
Kansas City Cable Partners ("KCCP")	29,255
US Cable of Lake County ("Lake County")	25,522
Lenfest Communications, Inc. ("LCI")	16,389
The Cable Partnerships of Country Cable and Knight-Ridder Cablevision, Inc. (SCI Cable Partners and TKR Cable Company) (collectively referred to as ("TKR")	12,743
Sunshine Network Joint Venture ("Sunshine")	11,990
American Movie Classics Company ("AMC")	10,286
Sioux Falls Cable Television ("Sioux Falls")	(14,517)
SportsChannel Chicago Associates ("Sports")	13,889
Home Team Sports Limited Partnership ("HTS")	10,085
Other investments	1,179
	$163,289

(continued)

The following table reflects the Company's share of earnings or losses of each of the aforementioned affiliates:

	Liberty Three months ended March 31, 1992	Predecessor Companies Three months ended March 31, 1991
	amounts in thousands	
QVC	$ 1,177	(1,260)
KCCP	1,998	1,498
Lake County	(487)	--
Lenfest	(7,611)	--
TKR	1,315	38
Sunshine	(276)	(433)
AMC	1,761	1,948
Sioux Falls	478	598
Sports	(512)	--
HTS	(125)	(162)
Other	(655)	(1,568)
	$(2,937)	659

The common stock of QVC is publicly traded. At March 31, 1992, based on the trading price of QVC common stock, the Company's investment in QVC had a market value of $206,549,000 (which exceeded its cost by $160,081,000).

Affiliated Regional Communications, Ltd. ("ARC"), a majority-owned subsidiary of the Company, owns a 49% interest in Sunshine Network Joint Venture ("Sunshine"). Sunshine provides television sports programming service in Florida. The Sunshine Joint Venture Agreement provides for an annual guaranteed distribution to ARC equal to 7.35% of Sunshine's gross revenue, excluding barter transaction revenue. Sunshine has not paid the distribution to ARC as it is subordinated to secured and unsecured creditors and advances made by ARC and is, therefore, payable only from "sufficient distributable funds". Any unpaid guaranteed distributions bear interest at 10% per annum. The guaranteed distribution will be recorded at such time as it is determined that distributable funds are available. Total unpaid guaranteed distributions, including interest, were $3,139,000 at December 31, 1991.

On January 2, 1992, Liberty acquired an aggregate 48.9% limited partnership interest in Lake County for $25,509,000 in cash. Liberty had previously contributed $250,000 to Lake County in exchange for a 1.1% limited partnership interest in Lake County. Upon consummation of the acquisition, the existing partnership agreement was restated to reflect the admission of Liberty as a 10% general partner (representing 50% of the general partnership interests) and a 40% limited partner (representing 50% of the limited partnership interests). The purchase price is subject to adjustment upon the occurrence of certain events.

(continued)

During the first quarter of 1992, the Company increased its interest in LCI from 48% of the common equity with 4% of the voting rights of all common shareholders to 50% of the common equity with 50% of all voting rights. The purchase price of $24,000,000 was approved by the Company's Board of Directors (with Mr. Lenfest abstaining). Upon consummation of this agreement, Liberty adopted the equity method of accounting for its investment in LCI. The Company's investment in LCI, which was previously accounted for under the cost method, was received from TCI in the March 28, 1991 transaction (see note 1). Accordingly, Liberty's (and the Predecessor Companies') investment, results of operations and stockholders' equity were adjusted retroactively to reflect the equity method of accounting. Upon restatement, Liberty's investment in LCI was reduced to zero prior to March 28, 1991. However, due to the additional $24,000,000 investment in LCI during the first quarter of 1992, the Company's share of losses of LCI for such quarterly period, which amounted to $7,611,000, included an adjustment to reflect the Company's share of previously unrecognized losses of LCI aggregating $6,259,000. These losses were not recognized in prior periods to the extent Liberty's investment in LCI had been reduced to zero.

Certain of the Company's affiliates are general partnerships and any subsidiary of the Company that is a general partner in a general partnership is, as such, liable as a matter of partnership law for all debts of that partnership in the event liabilities of that partnership were to exceed its assets.

(7) Investments in Other Companies

Other investments, accounted for under the cost method, and related receivables are summarized as follows:

	Liberty	
	March 31, 1992	December 31, 1991
	amounts in thousands	
Preferred stock investment (a)	$106,704	102,957
Limited partnership interest and related receivables (b)	96,782	96,782
Marketable equity securities (c)	5,813	5,813
Convertible debt, accrued interest and preferred stock investment	45,820	46,229
Other investments and related receivables	46,685	46,935
	$301,804	298,716

(a) The Company holds an investment in the 16% cumulative redeemable exchangeable preferred stock of Storer Communications, Inc. ("Storer"). The common stock of Storer is 50% owned by a subsidiary of TCI in which TKR a 30% interest. Storer's preferred stock has no voting rights and is subject to a mandatory annual redemption of 20% of all shares of such preferred stock commencing on December 15, 1996.

(continued)

(b) The Company's limited partnership interest in Intermedia Partners ("Intermedia") is accounted for under the cost method although Liberty's ownership approximates 22%. The cost method of accounting is considered appropriate because the limited partners (including Liberty) of Intermedia have no voting control over Intermedia's operating and financial policies. Such control rests entirely with the general partner (an unrelated third party).

(c) The marketable equity securities, which are being accounted for at the lower of cost or market, had an aggregate market value of $57,806,000 (which exceeded cost by $51,993,000) at March 31, 1992.

(8) Investment in TCI Common Stock

The Company received 8,713,696 shares of TCI Class A common stock and 2,737,712 shares of TCI Class B common stock in the Exchange. In April of 1991, the Company redeemed all of its Class B-Series 2 Redeemable Exchangeable Preferred Stock in exchange for 5,725,687 shares of TCI Class A common stock. In October of 1991, the Company received an additional 800,000 shares of TCI Class B common stock (see note 13). At March 31, 1992, the market value of the Company's investment in TCI stock exceeded its cost by $3,289,000.

As described in note 12, the TCI common stock acquired by the Company in connection with the Exchange is held in escrow for delivery upon exchange of the Class B Redeemable Exchangeable Preferred Stock. Pending such exchange and provided that the Company is not in default of its obligations to redeem, exchange or purchase shares of the Class B Redeemable Exchangeable Preferred Stock, the Company shall have the right to vote the TCI common stock held in escrow on all matters submitted for a vote to the holders of TCI common stock. The determination of the manner in which the Company will exercise such voting rights will be made by the Company's Board of Directors.

(9) Debt

Debt is summarized as follows:

	Liberty	
	March 31, 1992	December 31, 1991
	amounts in thousands	
Note payable to bank (a)	$10,000	10,000
Note payable to bank (b)	8,058	8,262
Note payable to bank (c)	6,575	6,650
Note payable to bank (d)	26,653	--
Liability to seller, net of unamortized discount of $5,164,000 and $5,653,000, respectively (3)	19,606	19,117
Unsecured note payable (f)	2,725	2,725
Convertible notes payable (g)	10,101	10,101
Note payable to TCI (h)	4,322	4,322
Other debt, with varying rates and maturities	2,455	2,457
	$90,495	63,634

(continued)

(a) The loan agreement related to this note payable provides for a revolving line of credit of up to $20,000,000 through December 31, 1992, at which time the outstanding principal balance converts to a term loan. The term loan is payable in eight equal quarterly installments commencing on March 31, 1993 with the final installment due December 31, 1994. The terms and conditions of the agreement contain several covenants, including those whereby ARC agrees to the maintenance of certain operating cash flow amounts, debt coverage, minimum subscribers, and limitations on capital expenditures. Such loan agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). Substantially all of the assets of ARC are pledged as collateral under this loan agreement.

(b) The revolving credit agreement related to this note payable follows a commitment reduction schedule which contains mandatory commitment reduction payments through December 31, 1995. The agreement contains certain restrictions requiring Greater Media Cablevision of Western Oakland County Limited Partnership ("Greater Media") to maintain specific levels of working capital and cash flow as defined in the agreement. In addition, certain restrictions have been imposed limiting the incurrence of debt, loan obligations and the payment of management fees and distributions. Such agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). All of the cable television assets of Greater Media are pledged as collateral under this agreement.

(c) This loan is payable in quarterly installments as defined in the related loan agreement, with a final payment on September 30, 1994. Such loan agreement provides for interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). All of the cable television assets of Command Cable of Eastern Illinois Limited Partnership ("Command") are pledged as collateral under this loan agreement.

(d) This term loan has quarterly principal payments in increasing amounts through December 31, 1996. In addition to the scheduled quarterly payments, an annual payment is required based upon the prior year's excess cash flow, as defined. The loan agreement also requires a $1,000,000 payment to be made during 1992. The outstanding balance of the loan accrues interest at varying rates which approximate the prime rate (6-1/2% at March 31, 1992). The terms of the agreement include, in addition to other requirements, the maintenance of certain financial ratios and limit capital expenditures and lease payments.

The loan is secured and collateralized by the assets of US Cable of Paterson ("Paterson"), the franchise rights, and the assignment of various leases and contracts of Paterson.

(continued)

Paterson entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its floating rate bank loan payable. This agreement effectively fixes a portion of Paterson's interest rate on $6 million of its floating rate debt to a fixed 8.25% plus the adjustment based on the results of a certain financial ratio, as discussed above. The agreement expires on April 18, 1995.

Paterson is exposed to credit loss in the event of nonperformance by the other parties to these agreements. However, Paterson does not anticipate any such nonperformance.

(e) The liability represents the discounted amount estimated under the "Earnout Rights" agreement between ARC and a related party of Astros Programming Services, Inc. The agreement requires annual payments during a five-year period equal to 86% of the Earnings Before Depreciation, Interest and Income Taxes ("EBDIT"), as defined, of the "DBS Business", as defined, of ARC over the base EBDIT. The minimum amount required under the agreement is $20,000,000 with a maximum payment of $60,000,000 required if the above calculation yields a greater amount due. The discount is deferred and amortized over the life of the agreement using the effective interest method. Amortization of the discount amounted to $489,000 and $455,000 for the three months ended March 31, 1992 and 1991, respectively.

(f) This note payable, which bears interest at the prime rate, is payable by Command in twenty equal quarterly installments through June 30, 1994.

(g) These notes payable are due December 30, 2000 and bear interest at 10% per annum. The notes are convertible, at the option of the holders, into a 9.1% limited partnership interest in ARC.

(h) This note bears interest at the prime rate and is payable by LMC Chicago Sports, Inc. on December 31, 1996.

Certain of Liberty's subsidiaries are subject to loan agreements that prohibit or limit the transfer of funds of such subsidiaries to the parent company in the form of loans, advances or cash dividends. However, retained earnings of the subsidiaries subject to restrictions is not material.

(10) Promissory Note

ARC has a $12,000,000 note receivable from Dansports, L.P. due in five equal installments on June 1 of each year. The note earns interest at the prime rate. The note, net of payments received, is reflected as a reduction of minority interest in the accompanying consolidated financial statements as it represents a subscription note receivable. The outstanding balance of this note amounted to $7,200,000 at March 31, 1992 and December 31, 1991.

(continued)

(11) Income Taxes

The Predecessor Companies were included in the consolidated Federal income tax return of TCI. Income tax expense for the Predecessor Companies was based on those items in the consolidated calculation applicable to the Predecessor Companies. Intercompany tax allocation represents an apportionment of tax expense or benefit (other than deferred taxes) among subsidiaries of TCI in relation to their respective amounts of taxable earnings or losses. The receivable or payable arising from the intercompany tax allocation was recorded as an increase or decrease in amounts due from TCI. Upon consummation of the Transactions, TCI repaid such amounts.

TCI and Liberty entered into a tax sharing agreement. TCI agreed to reimburse Liberty for the benefit from investment tax credits and net operating losses generated by Liberty which were utilized in the consolidated Federal income tax return of TCI. Upon the consummation of the Transactions, Liberty was no longer included in the consolidated Federal income tax return of TCI. At that time, all investment tax credits and net operating losses generated by Liberty but not previously utilized by TCI in TCI's consolidated Federal income tax return became available for use by Liberty in its own consolidated Federal income tax return.

Certain of the Federal income tax returns of TCI are presently under examination by the Internal Revenue Service ("IRS") for the years 1978 through 1991. This examination, or any subsequent examinations for periods up to March 28, 1991, may result in proposed adjustments for additional income taxes relating to Liberty. If and when future settlements with the IRS become final and nonappealable and if adjustments relating to Liberty are required to any consolidated return year as previously filed, Liberty and TCI have agreed to give effect to such adjustments as if they had been made a part of the original calculation of tax liabilities and benefits. Any amount remaining due or previously overpaid shall be paid or refunded as the case may be.

Deferred tax expense results from timing differences in the recognition of revenue and expense for income tax and financial statement purposes and from adjustment of deferred tax credits.

The benefits from investment tax credits are recorded by Liberty when such credits are used to reduce current or deferred income taxes payable. Liberty has available investment tax credits which, if not utilized to offset future Federal income taxes payable, expire at various dates through 2005. Additionally, certain subsidiaries have investment tax credit carryforwards and these investment tax credit carryforwards are subject to certain rules limiting their usage. Substantially, all investment tax credits have been recognized for financial statement purposes as a reduction of deferred income taxes. To the extent the investment tax credit carryforward is utilized for income tax purposes by Liberty, deferred tax credits will be restored at the then current rates.

(continued)

Liberty has net operating loss carryforwards for income tax purposes which, if not utilized to reduce taxable income in future periods, expire at various dates through 2005. Substantially, all net operating losses have been recognized for financial statement purposes as a reduction of deferred income taxes. To the extent the net operating loss carryforward is utilized for income tax purposes by Liberty, deferred tax credits will be restored at the then current rates.

The Financial Accounting Standards Board has issued Statement No. 109, "Accounting for Income Taxes" which will supersede Statement No. 96, "Accounting for Income Taxes". The Company currently accounts for income taxes under Accounting Principles Board Opinion No. 11, having elected not to adopt Statement No. 96 prior to its required effective date. Statement No. 109 will change the Company's method of accounting for income taxes from the deferred method required under APB No. 11 to the asset and liability method. The Company presently does not know and cannot reasonably estimate the impact of Statement No. 109 on its financial statements. Statement No. 109 is effective for fiscal years beginning after December 15, 1992. The Company has not made a determination whether it will restate any prior years or adopt Statement No. 109 in 1993 on a prospective basis.

(12) Redeemable Preferred Stocks

Class A Redeemable Convertible Preferred Stock

The Company is authorized to issue up to 11,000 shares of Class A Convertible Preferred Stock (the "Class A Preferred Stock"). The aggregate number of shares of such Class A Convertible Preferred Stock that was issued to TCI pursuant to the Contribution was 10,794 shares. The accretion rate for the Class A Preferred Stock is 9.5% per annum, compounded semi-annually.

The Class A Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1996, in whole or in part, at a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class A Preferred Stock is subject to a mandatory redemption requirement on March 28, 2006.

At the option of the holder, the 10,794 shares of Class A Preferred Stock, unless previously redeemed, are convertible into 550,709 shares of Liberty Class A common stock and 55,070 shares of Liberty Class E Redeemable Exchangeable Preferred Stock. The conversion rights of the shares of Class A Preferred Stock will expire at the close of business on the business day immediately preceding March 28, 2006 or, in the case of shares of Class A Preferred Stock called for redemption, at the close of business on the date specified for such redemption, unless in either case the Company defaults in the payment of the redemption price.

No adjustment in respect of accreted dividends on the Class A Preferred Stock or any dividend on the Class A common stock issued upon conversion thereof will be made upon the conversion of shares of Class A Preferred Stock, except the conversion rate of the shares of Class A Preferred Stock, or the securities or other property to be received on conversion, is subject to adjustment upon the occurrence of certain events.

(continued)

Class B Redeemable Exchangeable Preferred Stock

The Company is authorized to issue up to 106,000 shares of Class B Redeemable Exchangeable Preferred Stock (the "Class B Preferred Stock"). The aggregate number of shares of such Class B Preferred Stock that was issued to TCI pursuant to the Contribution as Series 1 Redeemable Exchangeable Preferred Stock was 105,353 shares. The accretion rate for the Series 1 Exchangeable Preferred Stock is 8.5% per annum, compounded semi-annually.

The aggregate number of shares of Class B Preferred Stock that was issued to TCI pursuant to the Contribution as Series 2 Redeemable Exchangeable Preferred Stock was 91,611 shares. In April of 1991, the Company redeemed all such preferred stock in exchange for 5,725,687 shares of TCI Class A common stock.

At the option of the Company, at any time after March 28, 1993, the shares of the Class B Preferred Stock will be redeemable, in whole or in part, at a redemption price equal to the accreted value per share as of the redemption date, payable solely in cash, and at the option of the Company will also be exchangeable, in whole but not in part, for shares of a series of Class F Serial Preferred Stock or of any other class or series of preferred stock of the Company then authorized to be issued (the "Convertible Exchangeable Preferred Stock"), the rights, preferences and qualifications of which shall be substantially similar to those of the Class B Preferred Stock as to ranking, voting rights, rights of redemption for cash at the option of the Company and mandatory redemption on March 28, 2006. If the Company elects to issue shares of Convertible Exchangeable Preferred Stock in exchange for Class B Preferred Stock, such shares will be convertible, in whole or in part, at the option of the holder into shares of Liberty Class A common stock, but will not be exchangeable at such holder's option for TCI common stock. The holder will have optional redemption rights equivalent to those for the Class B Preferred Stock, as described below, but the Company will not have the right to satisfy its redemption obligations with respect thereto through the issuance of additional shares of Convertible Exchangeable Preferred Stock. The shares of Convertible Exchangeable Preferred Stock may accrete dividends at a rate different from the accretion rate then applicable to the shares of Class B Preferred Stock for which they are exchanged or may provide for the accrual and payment of cash dividends (which may or may not be cumulative). At the option of the Company, at any time after March 28, 1995, the shares of Convertible Exchangeable Preferred Stock will be exchangeable, in whole but not in part, for subordinated notes of the Company that will be convertible, in whole or in part, at the option of the holder into shares of Liberty Class A common stock (the "Convertible Subordinated Notes"). If the shares of Convertible Exchangeable Preferred Stock that are being exchanged for Convertible Subordinated Notes accrete dividends, then the Convertible Subordinated Notes will be zero coupon notes, the issue price of which shall be equal to the liquidation price of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged as of the date of such exchange, and the principal amount of which shall be equal to the liquidation price of such shares of Convertible Exchangeable Preferred Stock at March 28, 2006. If the shares of Convertible Exchangeable Preferred Stock that are being exchanged for Convertible Subordinated Notes provide for the accrual and payment of cash dividends,

(continued)

the principal amount of such Convertible Subordinated Notes shall be equal to the liquidation price of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged as of the date of such exchange, plus (to the extent not already included in such liquidation price) all accumulated or accrued and unpaid dividends, if any, to the date of such exchange, and interest will accrue, and be payable semiannually, on such principal amount at a rate per annum equivalent to the annual dividend rate for such shares of Convertible Exchangeable Preferred Stock. The terms of the Convertible Subordinated Notes shall otherwise be substantially similar to those of the shares of Convertible Exchangeable Preferred Stock for which they are exchanged, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities and except that such Convertible Subordinated Notes will not be exchangeable for another issue of Convertible Subordinated Notes.

In addition, at any time after March 28, 1995, the shares of Class B Preferred Stock shall each be exchangeable, at the Company's option, in whole but not in part, for zero coupon subordinated notes of the Company (the "Exchangeable Subordinated Notes"). The principal amount of such Exchangeable Subordinated Notes shall be equal to the accreted value of the shares for which they are exchanged as of March 28, 2006 (rounded down to the nearest $1,000) and the issue price of such Exchangeable Subordinated Notes (plus the amount of any cash adjustment payable in lieu of issuing Notes in other than authorized denominations) shall be equal to the accreted value of such shares as of the date of exchange. The terms of the Exchangeable Subordinated Notes shall otherwise be substantially similar to those of the Class B Preferred Stock for which they are exchanged, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities and except that such Exchangeable Subordinated Notes will be exchangeable at the option of the Company at any time after issuance thereof for Convertible Subordinated Notes of the Company, but will not be exchangeable or redeemable for shares of Convertible Exchangeable Preferred Stock or for another issue of Exchangeable Subordinated Notes. The rate at which the Exchangeable Subordinated Notes may be exchanged for shares of TCI common stock at the option of the holder shall be calculated so that the aggregate principal amount of the Exchangeable Subordinated Notes issued in exchange for shares of the Class B Preferred Stock will be exchangeable into the same aggregate number of shares of TCI common stock as the shares of Class B Preferred Stock for which they were exchanged.

The shares of Class B Preferred Stock are also exchangeable or redeemable at the option of the holder as described below.

The shares of Class B Preferred Stock, unless previously redeemed, will be exchangeable at the option of the holder at any time in whole or in part for shares of TCI common stock. The Company will have the option of delivering shares of TCI Class A common stock or TCI Class B common stock or any combination thereof upon such exchange. The exchange rate for the Class B Preferred Stock is 54.34 shares of TCI common stock for each share of Class B Preferred Stock, subject to adjustment under certain conditions.

(continued)

The exchange rights of the shares of Class B Preferred Stock will expire at the close of business on the business day immediately preceding March 28, 2006 or, in the case of shares of Class B Preferred Stock called for redemption or exchange, at the close of business on the date specified for such redemption or exchange, unless in either case the Company defaults in the payment of the redemption price or the making of the exchange.

The Company deposited with an escrow agent all shares of TCI common stock acquired by the Company in connection with the Exchange. The TCI common stock is held by the escrow agent for delivery to holders of Class B Preferred Stock upon exchange. Upon surrender of shares of Class B Preferred Stock for exchange, the holder thereof shall be entitled to receive the shares of TCI common stock at the then applicable exchange rate. Any shares of TCI common stock remaining in escrow after March 28, 2006 will be returned to and become the sole property of the Company.

The holders of shares of Class B Preferred Stock may, by delivery of a written notice of demand (a "Demand Notice"), require the Company to redeem all shares of Class B Preferred Stock covered by such Demand Notice on March 28, 1996 and March 28, 2001 (each such date a "Special Redemption Date"), at a redemption price (the "Special Redemption Price") equal to the accreted value of such shares as of such Special Redemption Date.

The Special Redemption Price will be payable by the Company, at its option, in cash, Liberty Class A common stock, Convertible Exchangeable Preferred Stock, TCI common stock, the Company's convertible subordinated extension notes due on March 28, 2006, which are convertible into Liberty Class A common stock (the "Convertible Extension Notes"), the Company's subordinated extension notes due on March 28, 2006 (the "Non-Convertible Extension Notes", and together with the Convertible Extension Notes, the "Extension Notes") or any combination thereof; provided, however, that if any Convertible Extension Notes are issued as such payment, Convertible Extension Notes shall constitute no less than 25% of the Special Redemption Price and if Non-Convertible Extension Notes are issued as such payment, Non-Convertible Extension Notes shall constitute no less than 25% of the Special Redemption Price.

Unless all outstanding shares of Class B Preferred Stock to be redeemed or exchanged are at the time held by TCI, the Company's right to redeem shares of Class B Preferred Stock through the delivery of Extension Notes or shares of Liberty Class A common stock, Convertible Exchangeable Preferred Stock or TCI common stock is subject to the Company satisfying various conditions.

Class D Redeemable Voting Preferred Stock

The Company is authorized to issue up to 18,000 shares of Class D Redeemable Voting Preferred Stock (the "Class D Preferred Stock"). The aggregate number of shares of such Class D Preferred Stock that was issued to TCI pursuant to the Contribution was 17,238 shares. The accretion rate for the Class D Preferred Stock is 10% per annum, compounded semi-annually.

(continued)

The Class D Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1996, in whole or in part, for a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class D Preferred Stock is subject to a mandatory redemption requirement on March 28, 2006.

For so long as all of the outstanding shares of Class D Preferred Stock are owned by TCI, the holders of the Class D Preferred Stock, voting together as a separate class, shall have the exclusive right to elect a number of directors equal to not less than 20% (rounded upward to the nearest whole number) of the total number of members of the Company's Board of Directors (which shall include the right to fill any vacancy created by the death or resignation of any director elected by the holders of Class D Preferred Stock or by the removal by such holders of any director elected by them, and to elect such number of additional directors to fill any newly created directorships as is necessary to maintain such level of representation). In the event that TCI ceases to own in the aggregate 100% of the outstanding shares of Class D Preferred Stock, the foregoing special voting rights of such class shall terminate.

(13) Stockholders' Equity

Plan of Recapitalization

On March 12, 1992, the shareholders of the Company voted to adopt a plan of recapitalization by approving amendments to the Company's Certificate of Incorporation to:

(i) increase the total number of shares of preferred stock ("Preferred Stock") that the Company is authorized to issue from 6,410,000 shares to 7,535,000 shares;

(ii) create a new class of Preferred Stock consisting of 2,000,000 shares to be designated as "Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock" with a par value of $.01 per share ("New Preferred Stock");

(iii) reclassify each currently issued and outstanding share of Liberty Class A common stock into 20 shares of Liberty Class A common stock and two shares of New Preferred Stock;

(iv) reclassify each currently issued and outstanding share of Liberty Class B common stock into 20 shares of Liberty Class B common stock and two shares of New Preferred Stock;

(v) redesignate the Company's existing Class E Serial Preferred Stock as "Class F Serial Preferred Stock" and reduce the total number of shares of each of the other existing classes of Preferred Stock that the Company is authorized to issued to the number currently issued and outstanding (rounded upward to the nearest 1,000 shares);

(continued)

(vi) change certain of the terms of the Company's existing Class C Redeemable Exchangeable Preferred Stock, principally to eliminate the requirement that the shares of such class be redeemed in full for cash on March 28, 2006 and to provide that from and after March 28, 2006 dividends will accrue and be payable in cash on the shares of such class; and

(vii) change certain other miscellaneous provisions.

The effect of the recapitalization has been reflected retroactively to December 31, 1991. In these notes to the consolidated financial statements, all share amounts (including the number of authorized shares of each class of the Company's Preferred Stock) reflected as of December 31, 1991 have been adjusted to give effect to this recapitalization.

Class C Redeemable Exchangeable Preferred Stock

The Company is authorized to issue up to 400,000 shares of Class C Redeemable Exchangeable Preferred Stock (the "Class C Preferred Stock"). The aggregate number of shares of such Class C Preferred Stock that was issued to TCI pursuant to the Contribution was 399,299 shares. The accretion rate for the Class C Preferred Stock is 5.0% per annum, compounded semi-annually through March 28, 2006. After that date, dividends will be payable semi-annually, in cash, at that rate established by the Board of Directors which, in the opinion of an independent nationally recognized investment banking firm, would result in the fair market value of the shares being at least equal to their accreted value of March 28, 2006.

The Class C Preferred Stock is redeemable at the option of the Company at any time and from time to time on and after March 28, 1993, in whole or in part, for a redemption price, payable solely in cash, equal to the accreted value per share of such class as of the redemption date. The Class C Preferred Stock is not subject to a mandatory redemption requirement.

In addition, at any time after March 28, 1995 and prior to March 28, 2006, the shares of Class C Preferred Stock shall be exchangeable, at the Company's option, in whole but not in part, for zero coupon subordinated notes of the Company (the "Subordinated Notes"). The principal amount of the Subordinated Notes shall be equal to the accreted value of the shares of Class C Preferred Stock for which they are exchanged as of March 28, 2006 (rounded down to the nearest $1,000) and the issue price of such Subordinated Notes (plus the amount of any cash adjustment payable in lieu of issuing Notes in other than authorized denominations) shall be equal to the accreted value of such shares as of the date of exchange. The terms of the Subordinated Notes shall otherwise be substantially similar to those of the Class C Preferred Stock, except for such variations as may be appropriate to reflect the differences between debt securities and equity securities.

(continued)

Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock

The Company is authorized to issue 2,000,000 shares of Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock (the "Class E Preferred Stock"). The aggregate number of shares of such Class E Preferred Stock issued upon consummation of the recapitalization plan approved by the shareholders on March 12, 1992 was 1,620,026. When issued, the shares had a liquidation value of $100 per share. Dividends accrue on the Class E Preferred Stock at the rate of 6% per annum and are payable on March 1 of each year in cash or, at the option of the Company, in whole or in part, in shares of its Class A Common Stock. No interest or additional dividends will accrue or be payable on accumulated accrued and unpaid dividends.

The Class E Preferred Stock is redeemable at the option of the Company at any time or from time to time, in whole or in part, for a redemption price payable solely in cash equal to the liquidation value of each share (including any accrued and unpaid dividends). There is no mandatory redemption requirement.

In addition, the shares of Class E Preferred Stock may, at any time, at the option of the Company, be exchanged in whole for junior subordinated notes of the Company (the "Junior Exchange Notes"). The principal amount of the Junior Exchange Notes shall be equal to the liquidation value of each share (including accrued and unpaid dividends) on the exchange date.

The Junior Exchange Notes will bear interest, payable annually, at a rate equal to the prevailing Fifteen Year Treasury Rate (as defined), plus 2.15% and will have a maturity date 15 years from the date of issuance.

Class F Serial Preferred Stock

The Company is authorized to issue shares of Class F Serial Preferred Stock (the "Class F Preferred Stock") in one or more series and to fix and state the designations, powers, preferences, qualifications, limitations, restrictions and relative rights of the shares of each such series. At any time that shares of any class or series of the above-described preferred stock (other than the Class F Preferred Stock) are issued and outstanding, the number of shares of Class F Preferred Stock of any series that may be issued shall not exceed the difference between five million (the number of shares of Class F Preferred Stock currently authorized) and the sum of (i) the number of shares of all classes and series of the above-described preferred stock (other than the Class F Preferred Stock) issued and outstanding and (ii) the number of shares of all series of Class F Preferred Stock issued and outstanding, in each case at the time the resolution of the Board of Directors authorizing the issuance of shares of such series of Class F Preferred Stock is adopted.

Common Stock

The Class A common stock has one vote per share and the Class B common stock has ten votes per share. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

(continued)

Pursuant to a recapitalization plan approved by the shareholders on March 12, 1992, Liberty's Restated Certificate of Incorporation was amended to provide for an exchange of each outstanding share of Liberty's common stock for 20 shares of common stock and two shares of Class E Preferred Stock.

Stock Option

The Company has an employment agreement with an officer (who is also a director). Pursuant to this agreement, such officer was granted an option to acquire 100,000 shares of Liberty Class B common stock at a purchase price of $256 per share. During 1991, the employment agreement was amended and the option was exercised with $100,000 in cash and a $25,500,000 note. This note bears interest at 7.54% per annum and is due in five equal annual installments. In order to tender $100,000 in cash, said officer sold to the Company shares of common stock of one of the Company's affiliates. During October of 1991, such officer tendered to the Company in partial payment of such note 800,000 shares of TCI Class B common stock, resulting in a net reduction of $12,195,000 in the outstanding principal balance of the note.

The 100,000 shares issued by Liberty upon exercise of this option, together with all subsequent dividends and distributions thereon, including shares issued in the Recapitalization (collectively, with the 100,000 shares, the "Option Units"), are subject to repurchase by the Company under certain circumstances. The Company's repurchase right will terminate as to 20% of the Option Units per year, commencing March 28, 1992, and will terminate as to all of the Option Units in the event of death, disability or under certain other circumstances.

Stock Plan

The Company has a Stock Incentive Plan (the "Stock Plan") in order to provide a special incentive to officers and other persons. No awards have been made under the Plan. Under the Stock Plan, stock options, stock appreciation rights, restricted stock and other awards valued by reference to, or that are otherwise based on, the value of Class A common stock may be granted in respect to a maximum of 5,000,000 shares of Class A common stock. Shares to be delivered under the Stock Plan will be available from authorized but unissued shares of Class A common stock or from shares of Class A common stock reacquired by the Company. Shares of Class A common stock that are subject to options or other awards that terminate or expire unexercised will return to the pool of such shares available for grant under the Stock Plan.

Stock Appreciation Rights

The Company has granted to certain of its officers stock appreciation rights with respect to 280,000 shares of Liberty Class A common stock. These rights have an adjusted strike price of $6.40 per share, become exercisable and vest evenly over seven years. Stock appreciation rights expire on March 28, 2001. Estimates of compensation relating to these stock appreciation rights have been recorded through March 31, 1992, but are subject to future adjustment based upon market value and, ultimately, on the final determination of market value when the rights are exercised.

(continued)

(14) Transactions with TCI

On December 30, 1991, TCI Liberty, Inc. ("TCIL"), a wholly owned subsidiary of TCI, entered into a Commercial Paper Purchase Agreement with Liberty whereby Liberty may purchase short-term notes from TCIL of up to an aggregate amount of $100 million. TCIL borrowed $22,000,000 from Liberty on December 31, 1991, pursuant to the Commercial Paper Purchase Agreement. The full amount, including interest, was repaid on January 15, 1992. Interest rates on the short-term notes are determined by the parties by reference to prevailing money-market rates.

In late 1991, the Company began discussing with TCI the possibility of creating a partnership for the purpose of acquiring and operating cable television systems. In January of 1992, subsidiaries of the Company and TCI created such a partnership, owned 50.001% by the Company and 49.999% by TCI. The partners each agreed to contribute certain non-cash assets to the partnership and up to $25,000,000 of cash as needed to fund mutually acceptable acquisitions. The non-cash assets were contributed to the partnership subsequent to March 31, 1992. The non-cash assets contributed by Liberty included its limited partnership interests in Intermedia Partners, certain promissory notes of Intermedia Partners and its affiliates, its limited partnership interest in and loan receivable from the entity that is a general partner in Mile Hi Cablevision Associates, Ltd., its limited and general partnership interests in Greater Media Cablevision of Western Oakland County Limited Partnership and 1.2 million shares of the preferred stock of Storer Communications, Inc. TCI contributed all of the 399,299 shares it held of the Company's Class C Preferred Stock.

For periods prior to consummation of the Transactions, amounts due to TCI were included in combined equity of the Predecessor Companies due to their related party nature. Interest expense was charged thereon and amounted to $98,000 for the three months ended March 31, 1991.

Certain subsidiaries of Liberty produce and/or distribute sports and other programming to cable television operators (including TCI) and others. Charges to TCI are based upon customary rates.

Certain subsidiaries of Liberty purchase, at TCI's cost, certain pay television and other programming through a subsidiary of TCI. Charges for such programming were approximately $435,000 and $495,000 for the three months ended March 31, 1992 and 1991, respectively.

TCI and Liberty have entered into a services agreement pursuant to which TCI provides, among other things, accounting, financial reporting, tax and other administrative services. Charges by TCI in connection with the rendering of such services amounted to $815,000 for the three months ended March 31, 1992.

(continued)

(15) Commitments and Contingencies

The Company entered into an agreement with Bob Magness (Chairman of the Board of TCI), John Malone (President of TCI and Chairman of the Board of Liberty) and the Kearns-Tribune Corporation ("Kearns-Tribune") which became effective upon consummation of the Exchange and which provides the Company the right upon the occurrence of certain events to require such persons to sell the shares of Liberty common stock owned by them, and would provide such persons the right upon the occurrence of certain events to sell their shares of Liberty common stock, in a registered public offering or to one or more third parties selected by the Company. In each case, the Company would guarantee the sale price for certain of the shares to be sold. Alternatively, the Company could elect to purchase some or all of such shares at the guaranteed price. The guaranteed sale price for shares of Liberty common stock that constitute "Covered Shares" (as defined) would be determined on the basis of the proportionate share that such shares represent of the fair market value of the Company on a going concern or liquidation value basis (whichever method yields a higher valuation), subject to an upward adjustment for taxes.

In the aggregate, 3,614,360 shares of Liberty common stock are currently covered by the agreement. Given the method of determining the guaranteed sale price for their shares, the Company's obligations under this agreement could be substantial. Assuming the guaranteed price determined in accordance with the foregoing formula was $38.25 per share (the quoted market value of a share of Liberty Class A common stock on May 1, 1992), the Company's financial obligations under this agreement, assuming the parties exercised their rights as to all of the aforementioned shares, would be $138,249,000, increased by the tax adjustment and decreased by the amount of any proceeds from the sale of such shares. The number of Dr. Malone's shares that will be covered by this agreement will increase as the 2,000,000 shares of Liberty Class B common stock received by Dr. Malone upon exercise of his option cease to be subject to repurchase by the Company.

The Company leases business offices, has entered into pole rental agreements, and uses certain equipment under lease arrangements. In addition, as of March 31, 1992, ARC had long-term sports program rights contracts which require payments through 1998 aggregating approximately $42,338,000.

The Company has also entered into agreements extending through 2006 with various motion picture studios for nonexclusive licenses to exhibit certain films. As of March 31, 1992, these agreements require minimum payments aggregating approximately $72,718,000.

Liberty guarantees a portion of a certain bank loan of an entity in which Liberty has an investment accounted for by the cost method. However, the amount of such guarantee is limited to $3,750,000 and Liberty will be released from this contingent obligation when certain payments are made.

Liberty, pursuant to a certain agreement, has committed to contribute equity to TKR if the cash flow (as defined) minus capital expenditures plus additional debt capacity of TKR is insufficient to make its debt service payments. No such contributions have been required.

ARC has guaranteed Sunshine's obligation to make payments (aggregating approximately $6,100,000 through 1994) under a certain sports program rights agreement. In addition, ARC has a commitment to advance up to $6,000,000 to Sunshine. However, there were no advances outstanding at March 31, 1992.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Material changes in financial condition:

Liquidity and Capital Resources

The Company (parent) has no lines of credit. Four of the consolidated subsidiaries of the Company have lines of credit. The borrowings of Greater Media Cablevision of Western Oakland County Limited Partnership, Command Cable of Eastern Illinois Limited Partnership and US Cable of Paterson are at the maximum levels of $8,058,000, $6,575,000 and $26,653,000, respectively. The fourth subsidiary, ARC, has a $20 million line of credit. Borrowings under such line of credit amounted to $10 million at March 31, 1992. Additional borrowings under these credit facilities are subject to the respective subsidiaries' continuing compliance with restrictive covenants contained in said credit facilities, which covenants relate primarily to the maintenance of certain levels of subscribers and operating cash flow, as defined. See note 9 to the accompanying consolidated financial statements.

Various partnerships and other affiliates of the Company accounted for under the equity method finance a substantial portion of their acquisitions and capital expenditures through borrowings under their own credit facilities and net cash provided by operating activities. The Company guarantees a portion of a certain bank loan of an entity in which the Company has an investment accounted for by the cost method. However, the amount of such guarantee is limited to $3,750,000 and the Company will be released from this contingent obligation when certain payments are made (expected to occur in March of 1993).

(continued)

(1) Material changes in financial condition (continued):

In connection with the Contribution, Liberty issued several different classes and series of preferred stock to two subsidiaries of TCI. Except in the case of the Class C Redeemable Exchangeable Preferred Stock, which requires payment of cash dividends after March 28, 2006, no cash dividends are payable with respect to such preferred stock. Rather, dividends accrete at the rate applicable to the particular class. In March of 1992, in connection with the Recapitalization, the Company issued $162,002,600 face amount of its Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock. Dividends on this class are payable annually in cash, or at the option of the Company, in shares of its Class A common stock. The annual dividend requirement on this class is approximately $9,720,000. It has not yet been determined whether the dividend will be paid in cash or stock.

Beyond the available cash on hand, available borrowings, cash distributions from affiliates, dividend and interest payments and cash generated from operating activities, Liberty has identified no other sources of funds. The Company expects that the financing needs of its cable television operations, in their present form, will be met by cash provided by operating activities until 1994, at which time certain indebtedness will likely need to be refinanced. The Company presently intends to continue developing its programming operations. The Company has made certain financial commitments relating to the acquisition of sports programming rights. It is expected that, as the Company's programming operations continue to develop, sufficient revenue will be generated to satisfy the aforementioned commitments. However, this continued development may require additional financing and it cannot be predicted whether the Company will have the ability to obtain such additional financing. If additional financing cannot be obtained, the Company could attempt to sell assets but there can be no assurance that asset sales, if any, can be consummated at a price and on terms acceptable to the Company. Further, the Company could attempt to sell equity securities but, again, there can be no certainty that such a sale could be accomplished. The Company's obligations under the Put-Call Agreement described below with Messrs. Magness and Malone and Kearns-Tribune Corporation ("Kearns-Tribune") could be substantial. The actions the Company may be required to take in order to satisfy such obligations (which may include, among other things, sales of assets) could have an adverse effect on the Company's business, financial condition or prospects.

One measure of liquidity is commonly referred to as "interest coverage". Interest coverage, which is measured by the ratio of operating income (loss) before noncash charges [$2,482,000 and $(4,045,000) for the three months ended March 31, 1992 and 1991, respectively] to interest expense ($1,497,000 and $1,783,000 for the three months ended March 31, 1992 and 1991, respectively), is determined by reference to the consolidated statements of operations. The Company's interest coverage ratio was 166% for the three months ended March 31, 1992. During the three months ended March 31, 1991, the interest coverage of the Predecessor Companies resulted in a deficiency of $5,828,000. During such period, the operations of the Predecessor Companies were consolidated with those of TCI and the Predecessor Companies were economically dependent on the financial support of TCI and/or certain of its subsidiaries in order to meet its obligations. TCI is no longer obligated to provide such financial support.

(continued)

(1) Material changes in financial condition (continued):

Certain subsidiaries' loan agreements contain restrictions regarding transfers of funds to the parent company in the form of loans, advances or cash dividends. However, net cash provided by operating activities of other subsidiaries, principally Southern Satellite Systems, Inc. ("Southern"), which are not restricted from making transfers to the parent company are expected to be sufficient to enable the parent company to meet its cash obligations in the near term. In the longer term, the ability of the parent company to meet its cash obligations will be dependent on many factors including, but not limited to, its ability to obtain additional debt and/or equity capital, realize certain of its assets, receive distributions from its affiliates and/or achieve profitable results from its consolidated programming operations.

Subsidiaries of Liberty and TCI created a partnership for the purpose of acquiring and operating cable television systems. The partners each agreed to contribute certain non-cash assets to the partnership and up to $25 million of cash as needed to fund mutually acceptable acquisitions.

The cash provided by operating activities of Southern, which is the satellite carrier for the signal of a major independent television station, exceeds the cash provided by the consolidated operating activities of the Company for the three months ended March 31, 1992. However, Southern does not have an agreement with the independent station with respect to the retransmission of its signal and there are no specific statutory restrictions *per se* which would prevent any other satellite carriers from retransmitting such signal to cable operators and others. If the business of Southern is adversely affected by competitive or other factors, it may have an adverse effect on the ability of Liberty to generate adequate cash to meet its obligations.

The Company has entered into an agreement with certain of its stockholders (see note 15 to the accompanying consolidated financial statements.) Given the size of Mr. Magness', Dr. Malone's and Kearns-Tribune's respective holdings of Liberty common stock, and the method of determining the guaranteed sale price for their shares, the Company's obligations under this agreement if the requisite triggering events (which are generally defined in terms of governmental actions) occur could be substantial and the actions the Company may be required to take in order to satisfy such obligations (which may include, among other things, sales of assets) could have an adverse effect on the Company's business, financial condition or prospects. In addition, the sale of such shares in a public offering could, depending on the size of the offering, adversely affect the market price of the Liberty common stock and could make it more difficult for the Company thereafter to sell its equity securities at times and at prices it might deem appropriate.

(2) Material changes in results of operations:

Cable television revenue was $214,000 lower for the three-month period ended March 31, 1992 than for the corresponding period of 1991, primarily because of the disposition of a cable television subsidiary at the end of 1991. Excluding revenue in the 1991 period produced by the former subsidiary, revenue from the remaining cable television subsidiaries increased by 10% from a combination of growth in subscriber levels and higher subscriber fees.

(continued)

(2) Material changes in results of operations (continued):

Certain proposed changes to the legislative and regulatory environment in which the cable television industry operates could limit future increases in prices charged for cable television service. The effect of such limitations, if imposed, on the future growth of cable television revenue of Liberty cannot be predicted at this time.

Cable television operating expenses, exclusive of depreciation and amortization, decreased by 11% from 1991 to 1992, primarily due to the aforementioned disposition. If the 1991 results of the former subsidiary are excluded, expenses increased by 7%, in large part because of increased programming costs. It is anticipated that the cost of programming will continue to increase in the future as program suppliers increase their rates (faster than the inflation rate) and additional sources of programming become available. Liberty cannot determine whether and to what extent increases in the cost of programming will affect the prices charged by it for its cable television services or the manner in which these services are offered. The Company's consolidated cable subsidiaries generated operating income before depreciation and amortization of approximately $1,050,000 in the first quarter of 1992, compared to nearly $1,200,000 in 1991. Excluding the former subsidiary, the 1991 figure would have been approximately $1,020,000.

Revenue of Liberty's consolidated programming operations increased by approximately 63% from 1991 to 1992. Approximately 36% of this increase is attributable to Encore, a service that was not launched until the second quarter of 1991. The remainder is attributable to increased subscriber fees and advertising revenue associated with subscriber growth and more successful advertising sales efforts within the regional sports networks and Prime Network. Operating expenses, exclusive of depreciation and amortization, increased by 33%. Nearly 25% of this increase is attributable to Encore. The remainder is due to higher expenses associated with higher revenue at certain of the regional sports networks. The Company's consolidated programming businesses generated operating income before depreciation and amortization of approximately $2,000,000, compared to a loss of $2,600,000 in the first quarter of 1991. Approximately one-third of this improvement is attributable to the regional sports business. The remainder is divided nearly equally among the Company's other programming businesses.

Most of the Company's consolidated regional sports networks generated operating losses before depreciation and amortization. These businesses are still being developed and there can be no assurance they will ever become profitable. To become profitable, they must broaden the carriage of their services by cable system operators within their respective regions. Though the services generally have been marketed to these operators already, it is hoped that by improving the quality of the programming, investing in additional sports rights and through various marketing and promotional activities, they will be successful in expanding carriage. Expanded carriage will increase the affiliation fees paid to the networks by the cable system operators as well as generate additional advertising revenue as a result of increased viewership. If these efforts are not successful, it is possible that these businesses will continue to generate significant operating losses and require additional investments by the Company. Depending on their magnitude, any such losses could be material and adversely affect the liquidity of the Company.

(2) Material changes in results of operations (continued):

Other operating expenses of the Company were approximately 71% higher in 1992 then in 1991, primarily because of accrued compensation expenses associated with stock appreciation rights ("SARs") that were granted subsequent to March 31, 1991. No SARs payments were made during the quarter. Depreciation and amortization charges were approximately 16% lower than in the prior period because of the disposition of a cable subsidiary.

Substantially all of the indebtedness of Liberty, other than that under the "Earnout Rights" agreement between ARC and a related party, bears interest at variable rates. Consequently, a general increase in interest rates could have an adverse effect on the result of operations of Liberty.

The net loss (before preferred stock dividend requirement) of $1,911,000 for the three-month period ended March 31, 1992, compares to net income of $1,428,000 during the corresponding period of 1991. Though operating income was nearly $3,700,000 higher than in the prior period, this improvement was offset by the Company's $2,937,000 shares of losses of affiliates (compared to earnings of $659,000 in 1991) and $2,895,000 of income tax expense (compared to $5,000 in 1991).

The share of losses of affiliates was negatively effected by the Company's additional investment in Lenfest and the associated change in its accounting for its Lenfest holdings from the cost method to the equity method. The increase in income tax expense results primarily from the nondeductiblity of the share of losses of Lenfest.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There were no material legal proceedings instituted during the quarter ended March 31, 1992 to which the Company or any of its consolidated subsidiaries is a party or of which any of their property is the subject.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K filed during the quarter ended March 31, 1992:

Date of Report	Item Reported	Financial Statements Filed
January 9, 1992 (as amended by Form 8 amendment dated February 5, 1992)	Item 2	"Liberty Media" - Year ended December 31, 1990 US Cable of Lake County and US Cable of Lake Forest, Inc.: Year ended December 31, 1990 Nine months ended September 30, 1991
February 6, 1992	Item 5	None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIBERTY MEDIA CORPORATION

Date: May 13, 1992

By: ________________________
Peter R. Barton, President

Date: May 13, 1992

By: ________________________
Robert R. Bennett
Senior Vice President,
Treasurer and Secretary
(Principal Financial Officer
and Chief Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission File Number 0-8287

LINDBERG CORPORATION

DELAWARE
State of Incorporation

36-1391480
IRS Identification No.

6133 North River Road, Suite 700
Rosemont, Illinois 60018
(708) 823-2021

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

L3Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 13, 1992
Common Stock $2.50 par value	4,692,541 Shares

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LINDBERG CORPORATION AND SUBSIDIARIES

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LINDBERG CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
Net Sales	$18,591,922	$19,329,027
Cost of Sales	14,447,908	15,224,760
Gross Profit	4,144,014	4,104,267
Selling, General and Administrative Expenses	3,450,470	3,764,368
Earnings from Operations	693,544	339,899
Interest Expense - Net	110,491	112,450
Earnings Before Income Taxes and Equity in Loss	583,053	227,449
Provision for Income Taxes	221,113	72,759
Equity in Loss of 50%-Owned International Affiliate	---	104,269
Net Earnings	$ 361,940	$ 50,421
Weighted Average Number of Shares Outstanding	4,690,014	4,679,133
Per Share of Common Stock:		
Net Earnings based on Weighted Average Shares Outstanding	$ .08	$ .01
Cash Dividends Declared and Paid	$ .07	$ .07

LINDBERG CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash	$ 130,652	$ 138,875
Receivables - Net	11,703,370	10,618,958
Inventories		
Raw Material	956,579	841,673
Work in Process and Finished Goods	526,691	541,310
Prepaid and Refundable Income Taxes	1,638,261	1,466,944
Prepaid Expenses	1,062,267	1,169,106
Total Current Assets	16,017,820	14,776,866
PROPERTY AND EQUIPMENT:		
Cost	88,440,723	87,046,349
Accumulated Depreciation	(54,519,785)	(53,374,502)
Net Property and Equipment	33,920,938	33,671,847
INVESTMENT IN 50%-OWNED INTERNATIONAL AFFILIATE	1,187,586	1,187,586
OTHER LONG-TERM ASSETS	1,700,397	1,692,459
TOTAL ASSETS	$52,826,741	$51,328,758
CURRENT LIABILITIES:		
Current Maturities on Long-Term Debt	$ 280,000	$ 280,000
Accounts Payable	2,516,238	2,566,776
Accrued Expenses	4,776,862	4,786,952
Total Current Liabilities	7,573,100	7,633,728
ACCRUED PENSION	2,704,169	2,759,019
DEFERRED INCOME TAXES AND INVESTMENT TAX CREDITS	8,692,180	8,662,180
LONG-TERM DEBT (less current maturities)	10,160,000	8,660,000
SHAREHOLDERS' EQUITY:		
Common Stock, $2.50 par value: Authorized 12,000,000 shares in 1992 and 1991. Issued 5,673,397 in 1992 and 1991	14,183,493	14,183,493
Additional Paid-In Capital	1,567,290	1,573,790
Earnings Retained in the Business	13,652,140	13,618,679
	29,402,923	29,375,962
Cost of Treasury Shares (980,856 in 1992 and 990,856 in 1991)	(5,543,941)	(5,600,441)
Unfunded Pension Losses	(161,690)	(161,690)
Total Shareholders' Equity	23,697,292	23,613,831
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$52,826,741	$51,328,758

LINDBERG CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

INCREASE (DECREASE) IN CASH	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash Flows from Operating Activities:		
Net earnings	$ 361,940	$ 50,421
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	1,145,283	1,092,822
(Earnings)loss in international affiliate, less dividends received	---	104,269
Increase in deferred income taxes	30,000	219,001
Change in assets and liabilities	(1,322,594)	(1,050,112)
Total adjustments	(147,311)	365,980
Net cash provided by operating activities	214,629	416,401
Cash Flows from Investing Activities:		
Capital expenditures	(1,394,374)	(2,084,421)
Net cash used in investing activities	(1,394,374)	(2,084,421)
Cash Flows from Financing Activities:		
Net borrowings under revolving credit agreement	1,500,000	2,000,000
Dividends paid	(328,478)	(327,778)
Net cash provided by financing activities	1,171,522	1,672,222
Net Increase (Decrease) in Cash	(8,223)	4,202
Cash at Beginning of Period	138,875	314,378
Cash at End of Period	$ 130,652	$ 318,580

Supplemental Disclosures of Cash Flow Information:	1992	1991
Interest Paid	$ 155,002	$ 114,343
Income Taxes Paid(Net of Refunds)	(58,479)	74,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

NOTE 1 The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

Statements for the three month periods ended March 31, 1992 and March 31, 1991 reflect, in the opinion of the Company, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of these periods. Results for interim periods are not necessarily indicative of results for a full year.

NOTE 2 Equity in Loss of 50%-Owned International Affiliate consists of the decrease in the Company's equity investment in its 50%-owned Brazilian subsidiary, Lindberg do Brasil.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales in the first quarter of 1992 were $18,591,922, down 3.8% from $19,329,027 for the same period in 1991 as the Company's operations were affected by a continued weakness in the U.S. economy. Net earnings of $361,940, or $.08 per share, increased from $50,421, or $.01 per share, in the first quarter of 1991.

While sales fell in 1992 in comparison to the first quarter of the prior year, there was a modest improvement in comparison to the fourth quarter of 1991. However, the Company has yet to see significantly increased customer activity to-date. Further, it should be noted that the first quarter of 1992 continued to be adversely affected in particular by a sharp falloff in sales to oilfield equipment customers due to a contraction in that market.

Despite the lower sales, net earnings rose in the quarter chiefly due to the effectiveness of ongoing efforts aimed at lowering administrative costs, improved results at the Waterbury, Connecticut facility which was in its less profitable start-up phase early in 1991, the establishment of reserves in 1991 to consolidate the Company's Norwood plant into Waterbury and subsequently close the former, and the absence of charges related to Lindberg do Brasil for which the Company recorded losses in the first quarter of 1991.

With respect to Lindberg do Brasil, the Company announced on April 17, 1992 that it had entered into negotiations to sell its 50% ownership of that subsidiary. On May 13, 1992, an agreement was signed transferring the Company's shares to its Brazilian partner. The Company will receive $1,250,000 in cash proceeds over a two year period ending May 13, 1994, and the sale is not expected to materially affect net earnings for 1992.

FINANCIAL CONDITION AND LIQUIDITY

During the first quarter of 1992, the Company's total debt increased by $1.5 million from year-end 1991. This increase in borrowing resulted chiefly from higher working capital requirements during the period, primarily accounts receivable. While the accounts receivable increased to a degree due to the higher sales level in the quarter when compared to the latter part of last year, the Company has generally experienced a slowdown in the payment pattern of its customer base due to the recessionary business environment. Ongoing efforts aimed at shortening the collection period are expected to have a positive effect as the year progresses.

At the close of the first quarter, the Company was utilizing $1^,440,000 of its $23,000,000 revolving credit facility ($3,000,000 for a letter of credit), and had sufficient remaining borrowing capacity and working capital to meet anticipated capital investment and ongoing operating requirements.

On April 24, 1992, the Board of Directors declared a cash dividend of $.07 on each of the Company's common shares, payable on June 1, 1992 to shareholders of record at the close of business on May 8, 1992. This was the same amount as was paid in the previous quarter.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits Required by Item 601 of Regulation S-K Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index which is attached hereto at page 11 and which is incorporated herein by reference.

(b) Reports on Form 8-K - There were no reports on Form 8-K for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LINDBERG CORPORATION

Principal Financial and Accounting Officer:

Stephen S. Penley
Vice President-Finance,
Secretary and Treasurer

Dated: May 13, 1992

LINDBERG CORPORATION
Quarterly Report on Form 10-Q for the Quarter Ended March 31, 1992

Exhibit Index

Number and Description of Exhibit	Page Number (1) (or reference)
4. Instruments defining the rights of security holders, including indentures	
4.1 Revolving credit agreement between the Registrant and two commercial banks dated July 12, 1989.	(2)
4.2 First amendment to the revolving credit agreement between the Registrant and two commercial banks dated February 13, 1990.	(3)
4.3 Second amendment to the revolving credit agreement between the Registrant and two commercial banks dated August 1, 1991.	(4)
4.4 Third amendment to the revolving credit agreement between the Registrant and two commercial banks dated February 10, 1992.	(5)
11. Statement re computation of per share earnings	Attached

(1) Shown only in manually signed original, filed with the Securities and Exchange Commission.

(2) Incorporated by reference to Exhibit 4.1 of the Registrant's Report on Form 10-K for the year ended December 31, 1989, Commission file no. 0-8287.

(3) Incorporated by reference to Exhibit 4.1 of the Registrant's Report on Form 10-Q for the quarter ended September 30, 1991, Commission file no. 0-8287.

(4) Incorporated by reference to Exhibit 4.2 of the Registrant's Report on Form 10-Q for the quarter ended September 30, 1991, Commission file no. 0-8287.

(5) Incorporated by reference to Exhibit 4.4 of the Registrant's Report on Form 10-K for the year ended December 31, 1991, Commission file no. 0-8287.

EXHIBIT 11

COMPUTATION OF NET EARNINGS PER COMMON SHARE

	Three Months Ended March 31,	
	1992	1991
Net Earnings	$ 361,940	$ 50,421
Weighted Average number of Common Shares Outstanding:		
Shares beginning of period	4,682,541	4,669,207
Average shares issued	7,473	9,926
Average for Period	4,690,014	4,679,133
Net Earnings per Share	$ .08	$ .01

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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For the transition period from________________to________________

Commission File Number 0-9570

LUTHER MEDICAL PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA	**33-0468235**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14332 CHAMBERS ROAD, TUSTIN, CA 92680
(Address of principal executive offices) (Zip Code)

(714) 544-3002
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock No Stated Par Value--2,488,491 shares as of March 31, 1992

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INDEX

LUTHER MEDICAL PRODUCTS, INC.

Page No.

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Signature Page 8

PART I - FINANCIAL INFORMATION

LUTHER MEDICAL PRODUCTS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	MAR. 31 1992 (Unaudited)	JUNE 30 1991
CURRENT ASSETS		
Cash and cash equivalents	$402,432	$147,070
Accounts receivable - net	258,714	297,424
Inventories - Note C	573,292	648,661
Other current assets	89,598	49,615
TOTAL CURRENT ASSETS	1,324,036	1,142,770
PROPERTY AND EQUIPMENT	691,480	504,402
Less allowances for depreciation	(363,976)	(316,235)
PROPERTY AND EQUIPMENT - NET	327,504	188,167
EMG SOFTWARE	165,116	205,274
PURCHASED COMPUTER SOFTWARE - NET	116,894	158,141
TECHNOLOGY RIGHTS - NET	21,549	43,113
PURCHASE PRICE IN EXCESS OF NET ASSETS ACQUIRED	30,345	40,470
OTHER ASSETS	24,522	26,691
	$2,009,966	$1,804,626
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$26,181	$235,789
Accounts payable	168,626	298,630
Accrued payroll and related expenses	78,644	86,188
Other accrued liabilities	122,341	142,220
TOTAL CURRENT LIABILITIES	395,792	762,827
LONG TERM DEBT	276,265	276,265
DEFERRED REVENUES	127,778	341,536
OBLIGATIONS UNDER CAPITAL LEASES	10,324	13,214
STOCKHOLDERS' EQUITY		
Preferred stock - no stated par value; 10,000,000 shares authorized; none issued		
Common stock - no stated par value; 25,000,000 shares authorized; issued and outstanding 2,488,491 on March 31, 1992 and 2,008,871 on June 30, 1991	8,225,898	6,674,615
Notes receivable from stockholders	(205,844)	(209,942)
Accumulated deficit	(6,820,247)	(6,053,889)
NET STOCKHOLDERS' EQUITY	1,199,807	410,784
	$2,009,966	$1,804,626

See notes to condensed consolidated financial statements.

LUTHER MEDICAL PRODUCTS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31		Nine Months Ended March 31	
	1992	1991	1992	1991
Revenues	$562,811	$542,343	$2,010,471	$1,774,249
Costs and Expenses:				
Cost of sales	533,178	276,611	1,229,010	973,732
Selling, general and administrative	366,171	285,863	992,084	751,417
Extraordinary legal expenses	67,120		67,120	
Research and development	107,458	78,179	278,523	206,373
Depreciation and amortization	55,353	56,324	180,537	171,411
Interest expense	7,213	8,752	27,519	16,507
Other (income) expense	2,038	___	2,038	(5,000)
Total costs and expenses	1,138,531	705,729	2,776,831	2,114,440
Net loss	$575,720	$163,386	$766,360	$340,191
Weighted average number of shares outstanding ('000)	2,483	1,980	2,312	1,980
Loss per share	$.23	$.08	$.33	$.17

See notes to condensed consolidated financial statements.

LUTHER MEDICAL PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED MARCH 31, (UNAUDITED)

	1992	1991
OPERATING ACTIVITIES:		
Net income (loss)	$(766,360)	$(340,191)
Adjustments to reconcile let loss to net cash used by operating activities:		
Depreciation and amortization	180,537	171,411
Recognition of deferred revenue	(213,758)	(99,373)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	38,710	153,873
(Increase) decrease in inventories	75,369	(141,097)
Increase in prepaid expenses and other assets	(39,983)	(60,912)
Decrease in accounts payable	(130,034)	(30,444)
Increase (decrease) in accrued payroll and related expenses	(7,544)	20,198
Decrease in other accrued liabilities	(22,298)	(39,988)
Net cash used by operating activities	(885,331)	(366,523)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(204,611)	(74,042)
Increase (decrease) in non current liabilities	(2,888)	8,336
Net cash used by investing activities	(207,499)	(65,706)
FINANCING ACTIVITIES:		
Proceeds from sales of common stock	1,551,283	8,747
Proceeds from notes receivable from stockholder	4,098	8,525
Proceeds from notes payable and long term debt		400,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	255,362	(95,132)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	147,070	135,473
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$402,432	$40,341
Payment of notes payable	(199,290)	(65,633)
Principal payments on capital lease obligations	(7,899)	(14,542)
Net cash provided by financing activities	1,348,192	337,097

See notes to condensed consolidated financial statements.

LUTHER MEDICAL PRODUCTS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

MARCH 31, 1992

NOTE A - BASIS OF PREPARATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ending March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended June 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K.

NOTE B - LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. Common stock equivalents were not included because their effect would be anti-dilutive.

NOTE C - INVENTORIES

At March 31, inventories consisted of:

	1992	1991
Raw material	$233,870	$344,868
Work in process	88,561	228,076
Finished goods	250,861	107,351
	$573,292	$611,394

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total consolidated revenues for the third quarter of 1992 were $562,811, an increase of 3.8% compared with total revenues of $542,343 for the third quarter of 1991. The Company's catheter products generated revenues of $225,700 as compared to $184,959 for the prior year's period, an increase of 22%. This growth reflects increased sales of the recently introduced "PICC" (peripherally-inserted central catheter) and Neonate catheters. The Company's third-party packaging agreement has been phased out, which amounted to revenues of approximately $5,000 during the third quarter of 1992 as compared to approximately $54,000 for the same period last year. The Company's wholly owned subsidiary Neuro Diagnostics, Inc. (NDI) contributed revenues of $286,446 as compared to $307,850 for the prior year's quarter, a decrease of $21,404 or approximately 7%. Royalty income increased slightly from $49,533 in the prior year's quarter to $50,663 for this year's quarter. Unit sales of the PROTECTIV ^{tm} stickless catheter system by Critikon Inc. a Johnson & Johnson Company increased by 66%, however, the royalty rate per catheter sold dropped from $.05 to $.03 effective April 1, 1991. For the first nine months of fiscal 1992 total revenues increased over last year's period by 13% to $1,774,249.

Cost of sales as a percentage of net sales increased from 51.0% to 94.7% for the third quarter of 1992 over the prior year's period. For the first nine months of 1992, cost of sales were 61.1% as compared to 54.9% in the first nine months of 1991. The increase for both periods is primarily due to a $188,000 inventory write-off for obsolete and slow moving components. Excluding the $188,000 inventory write-off, cost of sales as a percentage of sales would have been 61.3% for the third quarter of 1992 and 51.8% for the first nine months of 1992.

Net loss for the third quarter of 1992 amounted to $575,720 as compared to a net loss of $163,386 in 1991. Net loss for the first nine months of fiscal 1992 was $766,360 as compared to a net loss of $340,191 for the same period last year. The inventory write-off ($188,000) and higher operating expenses, specifically extraordinary legal expenses ($67,000) as a result of the Company entering into a distribution and research and development agreement with Pharmacia Deltec Inc. resulted in the increased net loss for both the quarter and the first nine months of 1992.

Working capital was approximately $928,000 at 3/31/1992 compared with approximately $380,000 at 6/30/1991. Total current assets increased by approximately $181,000. Cash increased by approximately $255,000. In March of 1992 Pharmacia Deltec Inc. advanced $100,000 as part of an 8% Convertible Note to the Company. These funds were used to reduce the note payable to Johnson & Johnson Finance Corporation to approximately $202,000 and to accelerate the payback period by 10 months. Accounts receivable decreased by approximately $39,000, inventories decreased by approximately $75,000 and other current assets increased by approximately $40,000. Total current liabilities decreased by approximately $367,000 which is primarily due to a reduction in accounts payable and notes payable.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

Form 8-K dated March 31, 1992 reporting the execution of a five year Distribution Agreement, a Research and Development Agreement and a Loan and Security Agreement with Pharmacia Deltec Inc. as well as the expansion of the Board of Directors to seven directors.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LUTHER MEDICAL PRODUCTS, INC.

By: ____________________
Elton L. Epley
Chief Financial Officer

Date: 5/12/92

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

D92-2266

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition from ________________ to ________________

Commission file number ________________

RESOURCE GENERAL CORPORATION
(exact name of registrant as specified in its charter)

Ohio — 31-737351
(State or other jurisdiction of incorporation or organization) — (I.R.S. Employer Identification No.)

145 East Rich Street, Suite 300, Columbus, Ohio 43215
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: ________________
(614)221-5834

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to [illegible] requirements for the past 90 days.

Yes X No ______

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ______ No ______ Inapplicable X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 1,079,820

RESOURCE GENERAL CORPORATION

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESOURCE GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31 1992	March 31 1991	Dec. 31 1991
Assets:			
Cash	$3.625	$87.031	$3.629
Accounts Receivable	1.056.779	764.617	1.233.174
Inventories	862.682	1.042.571	747.332
Notes Receivable-Director	41.374		41.474
Other Current Assets	5.657	49.049	(4.348)
Total Current Assets	1.970.117	1.943.268	2.021.261
Property and Equipment	1.778.481	1.648.606	1.772.656
Less Accum. Depreciation & Amortization	(351.965)	(232.646)	(320.221)
Net Property and Equipment	1.426.517	1.415.961	1.452.436
Land and Development Costs	574.795	536.728	554.629
Other Investments	11.203	10.000	10.876
Other Assets	182.667	251.053	196.517
Total Non-Current Assets	768.665	797.781	762.022
Total Assets	$4.165.298	$4.157.009	$4.235.719

The accompanying notes are an intergral part of the financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESOURCE GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31 1992	March 31 1991	Dec. 31 1991
Liabilities:			
Accounts Payable	$1.004.901	$1.220.942	$1.048.255
Notes Payable	1.062.707	1.526.682	1.499.080
Accrued Expenses and Taxes	122.147	88.719	153.361
Deferred Revenue	183.481	105.743	234.696
Total Current Liabilities	2.373,237	2.942.085	2.935.392
Long Term Portion-Notes Payable	877.388	426.741	365.409
Total Liabilities	$3.250.625	$3.368.825	$3.300.801
Minority Interest		-	28
Total Minority Interest	(67)	-	28
Shareholder's Equity			
Common stock, no par value, authorized 3,412,000 shares in 1992, and 1991; 1,079,820 shares issued and outstanding in both 1992 and 1991; stated value of $.01	$10.798	$10.798	$10.798
Additional Paid in Capital	1.230.603	1.230.603	1.230.603
Stock Subscription Receivable	(10.000)	(10.000)	(10.000)
Retained Earnings (Deficit)	(316.661)	(443,218)	(296.511)
Total Shareholder Equity	$914.741	$788.183	$934.890
Total Liabilities & Equity	$4.165.298	$4.157.009	$4.235.719

The accompanying notes are an intergral part of the financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESOURCE GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended March 31 1992	 1991
Net Sales	$1,111,278	$1,315,749
Cost of Goods Sold	770,938	989,539
Gross Margin	340,339	326,210
Selling, General and Administrative Expense	341,743	281,258
Operating Income (Loss)	(1,403)	44,953
Other Income (Expense)		
Interest	(42,750)	(59,515)
Oil and Gas Royalties	6,503	925
Other	15,707	4,378
Gain on Settlement	3,938	51,909
Total Other Income (Expense)	(16,603)	(2,303)
Income Before Taxes & Extraordinary Items	(18,006)	42,650
Minority Interest	95	
Provision for Taxes	2,238	-
Net Income	($20,149)	$42,650
Weighted average number of Shares Outstanding	1,079,820	1,079,820
Income (Loss) per Common Share:		
Income (Loss) before extraordinary items	($0.02)	$0.04
Earnings (Loss) per Common Share	($0.02)	$0.04

The accompanying notes are an intergral part of the financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESOURCE GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Cash Flow from Operating Activities:		
Net Income (Loss)	(20.149)	42.650
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Recovery of Reserve for Litigation	-	-
Depreciation and Amortization	31.744	31.653
	11.595	74.303
Changed in certain assets and liabilities:		
Decrease (Increase) in Accounts Receivable	176.395	(92.543)
Decrease (Increase) in Inventory	(115.350)	(268.804)
Decrease (Increase) in Other Assets	(10.005)	(10.391)
(Decrease) Increase in Accounts Payable	(43.354)	416.595
(Decrease) Increase in Accrued Expenses and Taxes	(31.214)	(6.376)
(Decrease) Increase in Advanced Billings	(51.214)	(79.507)
Net Cash Used in Operating Activities	(74.743)	(41,026)
Cash Flows from Investing Activities		
Capital Expenditures	(5.825)	(96.250)
Increase in Other Investments	(6.643)	3.277
Net Cash used in Investing Activities	(12.468)	(92,972)
Cash Flows from Financing Activities		
Increase in Notes Payable	75.606	80.368
Payment of Litigation Settlement		
Net Cash Provided by Financing Activities	75.606	80.368
Net Increase (Decrease) in Cash	(4)	20.672
Cash, Beginning of Period	3.629	66.353
Cash, End of Period	3.625	87,026

Resource General and its Subsidiaries paid $42.750 in interest expense in 1992, and $59.515 in 1991.

The accompanying notes are an intergral part of the financial statements.

PART I FINANCIAL INFORMATION

ITEM 2. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. BASIS OF FINANCIAL PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly. they do not include all of the information and footnotes required by generaaly accepted accounting principles for complete financial statements.

The accounting policies followed by Resource General Corporation. (the company). are set forth in Note 1 to the financial statements in the Company s 1991 Form 10-K.

In the opinion of management. the accompanying unaudited consolidated financial statements reflect all adjustments which are necessary for a fair presentation of the financial results. The results of operations for the three month periods ended March 31. 1992 and March 31. 1991 are not necessarily indicative of the results to be expected for the full year.

Note 2. INVENTORIES

Inventories are valued at lower of cost (first-in. first-out basis) or market. Composition of inventories at March 31. 1992. December 31. 1991 and March 31. 1991 were as follows:

	Mar 31 1992	Dec 31 1991	Mar 31 1991
Raw Materials	$ 305.173	$ 300.909	$ 279.424
Work In Process	557.509	446.423	763.147
Finished Goods			
	862.682	747.332	1.042.571

PART I - FINANCIAL INFORMATION

ITEM 2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3. INCOME TAXES

The company's policy is to provide deferred taxes for differences in accounting methods between tax and financial reporting. Income taxes are only provided to the extent that they exceed cumulative net loss carryforwards.

As of January 2, 1991 the company has a remaining net loss carryfoward at $448,000. The tax provision, for both tax and book, as of March 31, 1992 is adequate for the tax obligation.

PART I - FINANCIAL INFORMATION

ITEM 3. MANAGEMENT'S DISCUSSION

RESULTS OF OPERATIONS

The company experienced a 15% decline in sales for the first quarter in 1992 as compared to the same period of 1991. The sales decline was the result of a drop in incoming orders in the last half of 1991, which affects shipments three to six months later. The reductiuon in orders reflects the reduced demand in orders for the machine tool industry in general. The users of machine tools are primarily durable goods manufacturers and U.S. automotive producers, all who experienced a drop in business because of the recession. The result was a reduction of their orders for machine tools.

Sales of hydraulics presses comprise 91% of the $1,111,278 sales for the period. The company's line of insert molding machines generated 9% of sales. It is expected by management that the total sales for the year will be comprised of a higher proportion of insert molding machines. Of the company's present $1.4 million backlog, insert molding machines comprise roughly 50% of the total.

The company expects shipments to drop by $2 million in 1992. However, the company also expects the level of incoming orders to be in excess of $7 million for the year. frequently there is a lag period of six to ten months between the time an order is received and the time it is shipped. This long lag period results in part from the extremely efficient production which led to extensive engineering required before the production can begin.

As the result of several profitable orders, the company was able to increase its gross margin by 5%. As result, while shipments drop by $204,000 gross profit was only reduced by $40,000. The company's SG&A was increased by $64,000. The primary components of this increase in SG&A was $31,555 in salaries, taxes and benefits, $15,000 increase in legal fees, and depreciation expense increasing by $11,000. The company's interest expense decreased by $18,259 due to a decrease in the prime rate as compared to the same period last year. The company believes as a result of the effects of the recession on its primary customers that its shipments for the year will drop by $2 million. The company does not expect the reduction in incoming orders to last beyond the first quarter in 1993. All indications are that the company's primary customers have delayed their need for new equipment rather than cancel it altogether.

LIQUIDITY AND CAPITAL RESOURCES

The company's working capital position is a deficit $403,000. The company's record sales of $6.5 million in 1991 has severly strained its capital resources. The company relies heavily on debt and creditors to provide the working capital necessary to fund operations. Debt and trade payables comprise 70% of the company's capitalization. While equity is 22% of the total capitalization.

Relationships between the company's vendors and its bank remains extremely positive. The company has been able to use a combination of its own resources plus suppliers and creditors to fund its operations for the past five years.

The Company's Managers and Board of Directors recognize a need, however for additional capital. The company is exploring with investment bankers different alternatives for raising additional capital for the company. Management and Board of Directors of the corporation intend to have a plan in place to raise equity by the end of the third quarter 1992.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - Not Applicable

ITEM 2. CHANGES IN SECURITIES - Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - Not Applicable

ITEM 5. OTHER INFORMATION - Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a). Exhibits - Not Applicable

b). Reports on Form 8-K - Not Applicable

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 4, 1992

By: Lyman Brownfield
Lyman Brownfield, President

Date: June 4, 1992

By: Charles T. Sherman
Charles T. Sherman,
Vice-President, Operations

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Form 10-Q

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 0-14146

S2 GOLF INC.
(Exact Name of Registrant as Specified in its Charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2388568 (I.R.S. Employer Identification No.)
18 Gloria Lane, Fairfield, NJ (Address of Principal Executive Office)	07004 (Zip Code)

(201) 227-7783
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES_X_ NO___

On March 31, 1992, 2,177,418, common shares $.01 par value, were issued and outstanding.

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PART I. FINANCIAL INFORMATION

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PART I

Item 1. Financial Statements

S2 GOLF INC.
CONDENSED BALANCE SHEETS

	March 27, 1992 (Unaudited)	December 31, 1991
ASSETS		
Current Assets		
Cash	$ 41,977	$ 155,753
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,629,039	1,522,607
Inventory: Raw Material	1,404,405	1,062,814
Work in Process	37,773	59,311
Finished Goods	946,203	1,073,552
Prepaid Expenses	11,328	153,676
Prepaid Income Taxes	180,958	206,588
Deferred Taxes	93,786	93,786
Total Current Assets	5,345,479	4,328,087
Plant and Equipment - Net	230,857	252,517
Other Assets - Net	543,402	517,154
Total Assets	$ 6,119,738	$ 5,097,758
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short Term Borrowings	$ 2,547,084	$ 1,643,972
Accounts Payable	420,923	358,275
Accrued Expenses	315,087	396,493
Other Current Liabilities	26,285	19,813
Total Current Liabilities	3,309,379	2,418,553
Non-Current Liabilities	475,059	475,521
Total Liabilities	3,784,438	2,894,074
Shareholders' Equity		
Common Stock $.01 Par; 12,000,000 Shares Authorized; 2,177,418 Shares Issued and Outstanding at March 31, 1992; 2,169,168 Shares at December 31, 1991	21,774	21,692
Additional Paid in Capital	3,948,746	3,907,579
Treasury Stock	(120)	(116)
Accumulated Deficit	(1,635,100)	(1,725,471)
Total Shareholders' Equity	2,335,300	2,203,684
Total Liabilities and Shareholders' Equity	$ 6,119,738	$ 5,097,758

The accompanying notes are an integral part of these financial statements.

S2 GOLF INC.
CONDENSED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH
UNAUDITED

	March 27, 1992	March 31, 1991
Net Sales	$ 2,526,623	$ 1,998,608
Cost of Goods Sold	1,675,763	1,312,549
Gross Profit on Sales	850,860	686,059
Operating Expenses		
Selling	351,993	150,259
General and Administrative	342,213	212,797
Total Operating Expenses	694,206	363,056
Operating Income	156,654	323,003
Interest - Net	(40,639)	(55,969)
Income before Income Taxes and Extraordinary Item	116,015	267,034
Provision for Income Taxes	45,245	93,057
Income Before Extraordinary Item	70,770	173,977
Extraordinary Item - Tax Benefit from Utilization of Net Operating Loss Carryforward	19,600	11,918
Net Income	$ 90,370	$ 185,895
Earnings Per Common Share:		
Income before Extraordinary Item	$ .033	$ .084
Extraordinary Item	.009	.005
Net Income	$ .042	$ .089
Weighted Average Number of Shares Outstanding	2,170,496	2,079,35[illegible]

The accompanying notes are an integral part of these financial statements.

S2 GOLF INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH
UNAUDITED

	March 27, 1992	March 31, 1991
OPERATING ACTIVITIES		
Net Income	$ 90,370	$ 185,895
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	26,970	18,696
Increase (Decrease) in Cash Flow from Operating Activities as a Result of Change in:		
Accounts Receivable	(1,106,432)	(796,364)
Inventory	(192,704)	149,621
Prepaid Expenses	167,969	33,926
Accounts Payable	62,648	(384,454)
Letter of Credit Acceptances Payable	280,648	(222,546)
Other Current Liabilities	(32,817)	36,979
Income Taxes Payable		(15,000)
Other Assets	(28,519)	(356)
NET CASH PROVIDED BY (USED) IN OPERATIONS	(731,867)	(993,603)
INVESTING ACTIVITIES		
Purchase of Equipment	(3,038)	(15,720)
FINANCING ACTIVITIES		
Proceeds from Borrowings	622,463	925,000
Proceeds from Sale of Common Stock	-	400
Proceeds from Exercise of Warrants	-	33,350
Principal Payments on Long Term Debt	-	
Capital Lease Obligations - Net	(1,330)	(2,466)
Purchase of Common Stock	(4)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	621,129	956,284
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(113,776)	(53,039)
CASH AND CASH EQUIVALENTS - BEGINNING	155,753	254,530
CASH AND CASH EQUIVALENTS - ENDING	$ 41,977	$ 201,491
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income Taxes Paid During the Period	$ 25	$ 00
Interest Paid During the Period	33,939	55,963

The accompanying notes are an integral part of these financial statements.

S2 GOLF INC.
NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

In the opinion of management, the financial information in this report reflects all adjustments necessary for a fair presentation of the results for the interim periods. No dividends have been declared or paid on common stock. Per share data was determined by using the weighted average number of common shares outstanding during the period.

Common Stock

On June 28, 1991, the Company effectuated a one-for-four reverse split of the common stock. Accordingly, the weighted average shares outstanding used in determining earnings per share of common stock includes the effects of this reverse split. The split was approved by the Company's shareholders at the 1991 Annual Meeting.

During the first quarter of 1992 common stock was issued which had previously been authorized and accrued at December 31, 1991. The changes in other current liabilities on the Statement of Cash Flows is net of this $41,249.

Legal Proceedings

The Company is a defendent in a patent infringement suit which was filed in the United States District Court for the Northern District of Illinois in August of 1991 based on the Company's production and sale of metal wood golf clubs. Management believes that the liability, if any, that may arise from this matter will not have a material effect on the financial condition or results of operation of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition and Liquidity

At March 27, 1992, the Company's working capital increased by $126,566 to $2,036,100 or 6% over December 31, 1991. Current assets increased by $1,017,392 from $4,328,087 at December 31, 1991, to $5,345,479 at March 27, 1992. The increase in current assets consisted primarily of an increase in Accounts Receivable of $1,106,432 reflecting the seasonality of the business. Current liabilities at March 27, 1992, increased a total of $890,826 over December 31, 1991, primarily as a result of an increase in short term borrowings for financing raw material purchases and operating expenses.

As a result of profitable operations for the three months ended March 27, 1992, the Company has been able to maintain its current liquidity position. The Company has been able to increase its inventory purchases and in turn, customer shipments due to its increased ability to issue letters of credit thru the Company's bank well in advance of its anticipated needs. At March 27, 1992, the Company had $143,667 left on its credit line and $309,249 in letters of credit written not drawn. However, due to increased customer demand for certain product lines, the Company continues to experience some delays in the receipt of the component inventory for the assembly of these products. The Company purchases numerous components from Taiwan, Korea and Japan, several of which may require up to six months advance order. As a result of these long lead times, the Company must forecast its anticipated sales and component requirements well in advance of customer demand.

Results of Operations

Net sales for the quarter ended March 27, 1992, increased 26% to $2,526,623 as compared to $1,998,608 for the same period in the prior year. These increases are primarily attributable to a) growth of the Company's golf club sales, including the new ladies XGR model and Series G putters which increased over 50% from 1991, and b) the addition of new dealers.

Gross profit as a percentage of net sales was 33.7% for the three months ended March 27, 1992, as compared to 34.3% to the same period in 1991. The decrease was attributable to higher overhead cost primarily depreciation expense, insurance and foreign agent fees, as compared to the same period in 1991.

Operating expenses have increased $331,150 for the three months ended March 27, 1992, over the same period in 1991. The increases are due to a) higher sales volume, b) increased legal and audit fees 107%, c) increases in advertising expenses associated with building brand awareness and supporting dealer sales 92%, d) an increase in field sales personnel 48%, and e) an increase in the Bad Debt Expense 41%. The foregoing factors contributed to the decrease in operating income for the three months ended March 27, 1992, as compared to the same period in 1991.

Net interest for the three month periods ended March 27, 1992, and March 31, 1991, was $40,639 and $55,969 respectively. While borrowings have increased for the three month period ended March 27, 1992, the Company borrowed at a lower interest rate than it did during the same period in 1991.

The Company had net income of $90,370 for the three month period ended March 27, 1992, as compared to $185,895 for the same period in 1991. The extraordinary item - tax benefit from the utilization of net operating loss carryforward - increased to $19,600 for the period ended March 27, 1992, as compared to $11,918 for the same period in 1991. This increase was a result of a study performed by the Company during 1991. The utilization of the net operating loss carryforward for Federal purposes, previously determined to be $140,205 in each year through original expirations, has been determined to be $232,500 each year.

Management anticipates, although there is no assurance, that given a reasonably good economic climate, the Company's improved financial position will result in increased sales during the current fiscal year. The Company believes that its improved working capital position will afford the Company the opportunity to acquire additional inventory, add more dealers and fill customers' orders promptly.

PART II

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Index

3.1 Amended and Restated Certificate of Incorporation of the Company dated June 28, 1991 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991).

3.2. Amended and restated By-laws of the Registrant dated December 6, 1991. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

4.1 Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.2 Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.3 Stock Option Agreement between the Registrant and Wesmar Partners dated February 29, 1988 (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.4 Credit Agreement between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.21 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.5 Collateral Assignment of Patents, Copyrights and Trademarks between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.20 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.6 Security Agreement between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.23 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.7 Amendment No. 1 to Credit Agreement between the Registrant and Integra Bank (formerly Union National Bank of Pittsburgh) (incorporated by reference to Exhibit 4.14 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, as amended by Form 8 dated November 22, 1991).

4.8 Amendment No. 2 to Credit Agreement between the Registrant and Integra Bank, (incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

4.9 United States Patent No. 4,203,598 issued to the Registrant (incorporated by reference to Exhibit 10.3 of the Registrant's Registration Statement No. 33-16931 on Form S-1).

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

S2 GOLF INC.

May 14, 1992
Dated:

by:
George Nichols
Chairman,
Chief Executive Officer and
Chief Financial Officer

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Q 35700

92 12 2390

MANUALLY SIGNED 12

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Q92-2266

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ------------------ to ------------------

PROCESSED BY
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Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Commission File Number: 0-19065

Sandy Spring Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	52-1532952
(State of incorporation)	(I.R.S. Employer Identification Number)

17801 Georgia Avenue Olney, Maryland	20832	301-774-6400
(Address of principal office)	(Zip Code)	(Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

The number of shares of common stock outstanding as of March 31, 1992 is 1,804,480 shares.

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SANDY SPRING BANCORP

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Sandy Spring Bancorp and Subsidiary CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31, 1991
	(Unaudited)	*
ASSETS		
Cash and due from banks	$20,361,484	$23,579,814
Time deposits with other banks	100,000	100,000
Investment securities - market value of $237,703,608 (1992) and $197,398,018 (1991)	234,040,932	191,221,098
Federal funds sold	25,307,254	22,805,835
Residential Mortgage loans held for sale	5,558,989	5,432,447
Total Loans (net of unearned income)	295,439,882	313,315,267
Less: Allowance for credit losses	(3,194,953)	(2,690,666)
Loans, net	292,244,929	310,624,601
Premises and equipment, net	12,240,554	12,399,570
Accrued interest receivable	5,023,063	4,731,920
Other assets	3,245,767	2,916,908
TOTAL ASSETS	$598,122,972	$573,812,193
LIABILITIES		
Noninterest-bearing deposits	$60,020,923	$59,542,029
Interest-bearing deposits	482,468,928	457,568,658
Total deposits	542,489,851	517,110,687
Short-term borrowings	9,630,443	11,052,809
Accrued interest, taxes and other liabilities	4,475,537	6,147,938
TOTAL LIABILITIES	556,595,831	534,311,434
STOCKHOLDERS' EQUITY		
Preferred stock - par value $1.00; shares authorized 1,000,000; shares issued and outstanding - None		
Common stock - par value $1.00; shares authorized 5,000,000; shares issued and outstanding 1,804,480 (1992) and 1,796,853 (1991)	1,804,480	1,796,853
Surplus	15,669,470	15,481,783
Retained earnings	24,053,191	22,222,123
TOTAL STOCKHOLDERS' EQUITY	41,527,141	39,500,759
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$598,122,972	$573,812,193

* Derived from audited financial statements

The notes on page 4 are an integral part of these statements.

Sandy Spring Bancorp and Subsidiary CONSOLIDATED STATEMENTS OF INCOME

	3 Months Ended March 31, 1992	3 Months Ended March 31, 1991
	(Unaudited)	
Interest income:		
Interest and fees on loans	$7,252,957	$8,996,669
Interest on loans held for sale	187,185	7,907
Interest on time deposits with banks	2,493	7,409
Interest and dividends on investment securities:		
Taxable	2,809,105	1,601,449
Nontaxable	872,963	700,782
Interest on federal funds sold	245,303	596,386
TOTAL INTEREST INCOME	11,370,006	11,910,602
Interest expense:		
Interest on deposits	6,029,018	7,372,173
Interest on short-term borrowings	108,056	125,133
Interest on mortgages payable	5,611	6,085
TOTAL INTEREST EXPENSE	6,142,685	7,503,391
NET INTEREST INCOME	5,227,321	4,407,211
Provision for Credit Losses	550,000	150,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	4,677,321	4,257,211
Non-Interest Income:		
Investment securities losses	0	(70)
Service charges on deposit accounts	437,762	361,089
Other income	503,377	275,848
TOTAL NON-INTEREST INCOME	941,139	636,867
Non-Interest Expenses:		
Salaries and employee benefits	2,083,047	1,722,987
Occupancy expense of premises	309,729	286,780
Equipment expenses	269,019	255,629
Other expenses	1,029,419	955,047
TOTAL NON-INTEREST EXPENSES	3,691,214	3,220,443
Income Before Income Taxes	1,927,246	1,673,635
Income Tax Expense	478,987	480,132
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$1,448,259	$1,193,503
Cumulative effect of accounting change	743,705	0
NET INCOME	$2,191,964	$1,193,503
NET INCOME PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$0.81	$0.67
Cumulative effect of accounting change	0.41	0.00
NET INCOME PER COMMON SHARE	$1.22	$0.67
DIVIDENDS DECLARED PER COMMON SHARE	$0.20	$0.18

The notes on page 4 are an integral part of these statements.

Sandy Spring Bancorp and Subsidiary CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
Cash Flows from Operating Activities:		
Net Income	$2,191,964	$1,193,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	(743,705)	-
Depreciation and amortization	243,830	288,560
Provision for credit losses	550,000	150,000
Deferred income taxes	(162,841)	(27,952)
Origination of loans held for sale	(17,741,188)	(2,532,796)
Proceeds from sales of loans held for sale	17,614,646	-
Net change in:		
Accrued interest receivable	(291,143)	(586,021)
Accrued income taxes	88,503	185,131
Other accrued expenses	(1,101,985)	(1,055,391)
Other - net	310,333	291,638
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	958,414	(2,093,328)
Cash Flows from Investing Activities:		
Purchases of investment securities	(55,741,073)	(18,378,131)
Proceeds from maturities and principal payments of investment securities	12,734,570	2,035,000
Net decrease in loans receivable	17,630,394	2,356,508
Expenditures for premises and equipment	(85,264)	(158,875)
Proceeds from sale of property, plant and equipment	-	1,645
NET CASH USED BY INVESTING ACTIVITIES	(25,461,373)	(14,143,853)
Cash Flows from Financing Activities:		
Net increase in demand and savings accounts	40,020,246	10,570,952
Net increase (decrease) in time and other deposits	(14,641,082)	4,628,461
Net decrease in short-term borrowings	(1,422,366)	(1,674,344)
Retirement of long-term debt	(5,168)	(4,694)
Proceeds from issuance of common stock	195,314	197,490
Dividends paid	(360,896)	(322,894)
NET CASH PROVIDED BY FINANCING ACTIVITIES	23,786,048	13,394,971
NET DECREASE IN CASH AND CASH EQUIVALENTS	(716,911)	(2,842,210)
Cash and Cash Equivalents at Beginning of Period	46,385,649	55,266,557
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	$45,668,738	$52,424,347
Supplemental Disclosures		
Interest payments	$6,688,545	$7,599,224
Income tax payments	$405,000	$292,500
Noncash Investing Activities		
Transfers from loans to other real estate owned	$244,991	-

*Cash and cash equivalents include those amounts under the captions "Cash and due from banks" and "Federal funds sold" on the Consolidated Balance Sheets.

The notes on page 4 are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL

The foregoing financial statements are unaudited; however, in the opinion of management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of the results of the interim periods have been included. These statements should be read in conjunction with the financial statements and accompanying notes included in Sandy Spring Bancorp's 1991 Annual Report to Shareholders. The results shown in this interim report are not necessarily indicative of results to be expected for the balance of the year.

The accounting and reporting policies of Sandy Spring Bancorp conform to generally accepted accounting principles and to general practice within the banking industry. Certain reclassifications have been made to amounts previously reported to conform with the classifications made in 1992.

Consolidation has resulted in the elimination of all significant intercompany accounts and transactions.

ACCOUNTING CHANGE - INCOME TAXES

Effective in the first quarter of 1992, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109) that was issued in February 1992.

This Standard applies to accounting for income taxes and must be adopted for years beginning after December 15, 1992. The Company has adopted early the new standard consistent with the FASB desire.

The Company recorded, for the first quarter of 1992, a $743,705 income statement benefit which represents the cumulative effect of the change in accounting under SFAS 109 as of January 1, 1992.

The primary effect of adoption of SFAS 109 is to record at current statutory tax rates deferred tax assets and liabilities that arose from earlier recognition of income and expense in different time periods for accounting and tax purposes.

At December 31, 1991, the Company had deferred tax credits amounting to $4,799,678 and deferred tax debits amounting to $3,527,175. These assets and liabilities primarily relate to differernces in recording depreciation expense, loan fee income and cost and bad debt reserves.

NOTE 2 NET INCOME PER COMMON SHARE

Net income per common share is based on the weighted average number of shares outstanding, amounting to 1,801,638 shares for the first quarter of 1992 and 1,793,122 shares for the first quarter of 1991. Higher 1992 average shares resulted from employee stock purchases under the Cash and Deferred Profit Sharing Plan and Trust, as amended, of 5,677 shares issued January 28, 1992 and a stock option exercise involving 1,950 shares issued February 24, 1992.

NOTE 3 SUBSEQUENT EVENT

On May 4, 1992, the Company reported that its Board of Directors had decided to increase the maximum number of shares to be offered in a subscription rights offering to 250,000 shares of Bancorp Common Stock with subscription rights to purchase one (1) share for each eight (8) shares of common stock held.

Sandy Spring Bancorp and Subsidiary

MANAGEMENT'S ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL CONDITION
March 31, 1992 Compared to December 31, 1991

Sandy Spring Bancorp and Subsidiary (the "Company") had total assets of $598 million at March 31, 1992, up $24 million or 4.2% from $574 million at December 31, 1991. This compares to a three month increase of $14 million or 2.6% reported for the first quarter of 1991.

Earning assets increased $27 million or 5.2% to $560 million at March 31, 1992 from $533 million at March 31, 1991. The shift in earning asset composition toward investments and away from loans continued during the first three months of 1992. Loans declined $18 million or 5.7%, to 53% of earning assets, still due primarily to soft demand from creditworthy borrowers. By contrast, investment securities increased during the same period by $43 million or 22.4%, to comprise 42% of earning assets at March 31, 1992. As of March 31, 1992, the Company continued to provide a valuation allowance for $2.5 million in corporate debt securities of regional banks which have been downgraded to ratings below investment grade but which do not, in management's judgment, represent other than a temporary decline in value. Estimated market depreciation on the securities at March 31, 1992 amounted to $249 thousand, representing an improvement from $621 thousand reported at December 31, 1991.

Interest-bearing deposits totaled $482 million and funded 86% of earning assets at March 31, 1992, reflecting an increase of $25 million or 5.4% from December 31, 1991. While certificates of deposit declined $15 million or 6.9% during the three month period ended March 31, 1992, regular savings grew $24 million or 58.5%, interest-bearing checking rose $9 million or 14.4% and money market savings increased $7 million or 4.7%. Noninterest-bearing demand deposits were up marginally during the first quarter of 1992.

Liquidity and Interest Rate Senstitivity

Liquid assets amounted to $25 million at March 31, 1992 and $23 million at year-end 1991, both representing 4% of total assets. Core deposits increased $28 million (up 5.8%) during the first quarter of 1992 as loans declined by $18 million (down 5.7%), which represented the sixth consecutive quarter that total loans have declined. The Company also maintains a sizable portfolio of U. S. Government and mortgage-backed securities which are readily marketable and which possess a market value in excess of book value. The pool of marketable, unpledged U. S. Treasury securities at the close of the three months ended March 31, 1992 stood at $5 million or 0.8% of total assets, similar in amount and level to year-end 1991.

The Company continues to have a cumulative excess of rate sensitive liabilities over rate sensitive assets, for a one year time horizon, a position believed to be appropriate for the current rate environment.

Capital Management

The capital position of the Company strengthened during 1992's first quarter, producing a risk-based capital ratio of 13.58% compared to 12.60% at year-end 1991. The capital leverage ratio was essentially unchanged, being 7.15% at March 31, 1992. First quarter-end stockholders' equity totaled $41.5 million in 1992, up 5.1% from $39.5 million at December 31, 1991. Internal capital generation occurred at an annualized rate of 18.6% during the three month period ended March 31, 1992. Excluding the cumulative effect of the accounting change, the rate was 11.1%, the same as for the year of 1991. Additions to equity also included $195 thousand from the issuance of stock through employee related programs. First quarter dividends amounted to $361 thousand (20 cents per share) in 1992, for a dividend payout ratio of 16.5% (24.9% with exclusion of the cumulative effect of the accounting change).

RESULTS OF OPERATIONS

Three Months Ended March 31, 1992 and 1991

Net income for the first three months of the year rose $998 thousand or 84% to $2.2 million ($1.22 per share) in 1992, up from $1.2 million (67 cents per share) in 1991. The annualized return on average assets (ROA) was 1.52% and the annualized return on average equity (ROE) was 22.28% for first quarter 1992, compared to 0.93% and 13.74%, respectively, for first quarter 1991. These results reflect the beneficial impact on net income, amounting to $744 thousand, of adopting Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" during the first quarter of 1992. Excluding the cumulative effect of the accounting change, the rise in net income was 21% to $1.5 million (81 cents per share) for the three months ended March 31, 1992, with an annualized ROA of 1.00% and an annualized ROE of 14.72%.

Net Interest Income

The Company achieved an 18.6% increase in first quarter net interest income to $5.2 million in 1992, compared to 1991. On a tax-equivalent basis, the rise was 19.1% to $5.7 million.

First quarter tax-equivalent interest income decreased $442 thousand or 3.6% in 1992, compared to 1991, as average earning assets rose 12.0% but experienced a 146 basis point decrease in average yield earned. While average loans (yielding 9.59%) fell $23.6 million or 7%, average investment securities (yielding 7.98%) rose $92.9 million or 80%.

By contrast, interest expense decreased $1.4 million or 18.1%, the net result of 11.6% higher average interest-bearing liabilities and a 190 basis point decline in average rate paid which, like earning assets, reflected the prevailing lower market interest rates.

The larger decline in funding rates over investment and loan yields resulted in the first quarter net interest spread improving 44 basis points in 1992, to 3.61% from 3.17% a year earlier. The net interest margin rose by a smaller 26 basis points in a declining rate environment which reduces the benefit derived from the noninterest-bearing portion of earning asset funding.

Credit Risk Management

Due to uncertainty surrounding the longer-term effects of the downturn in the local economy, the provision for credit losses was increased to $550 thousand for the first quarter 1992 compared to $150 thousand for the same quarter of 1991. During the three months ended March 31, 1992, charge-offs, net of recoveries, were $46 thousand as compared to $61 thousand for the same period in 1991. Commercial construction and development credits, the riskiest category of loans, continued to comprise less than 3% of total loans, while traditional home mortgages (the safest) amounted to 38%. Nonperforming assets totaled $2.6 million or 0.87% of loans and other real estate owned at first quarter-end 1992, compared to $3.0 million and 0.96% at December 31, 1991. Problem loans increased modestly to $13.2 million at first quarter-end 1992 from $11.3 million at year-end 1991. On March 31, 1992, the allowance for credit losses was 1.08% of total loans, up from 0.86% at the close of 1991 and equal to over 1.5 times nonperforming loans and 17.5 times annualized first quarter net charge-offs.

Non-interest Income and Expenses

Non-interest income rose $304 thousand or 48% to $941 thousand for the three month period ended March 31, 1992, compared to the three month period ended March 31, 1991. The primary contributor to the increase was $205 in first quarter gains on mortgage sales in 1992 versus no such gains in 1991. Deposit account service charge income rose $77 thousand or 21% over the same period, to $438 thousand, attributable in large part to higher charges.

The overhead burden, net of non-interest income, rose 6.4% to $2.8 million for first quarter 1992 compared to $2.6 million for the same 1991 quarter, but fell to 48% of tax-equivalent net interest income from 54% as tax-equivalent net interest income increased 19.0%.

First quarter non-interest expenses were $3.7 million in 1992, refecting a $471 thousand or 15% increase from $3.2 million in 1991. Higher salaries and employee benefits, up $360 thousand or 21% to $2.1 million, provided approximately three-fourths of the overall rise in non-interest expenses. Average full-time-equivalent (FTE) employees rose 5%, to 226 from 215, while Company net income (excluding the cumulative effect of the accounting change) per average FTE employee also increased, by 15% to $6.4 thousand from $5.6 thousand. Relatively small advances were recorded for occupancy expense, up $23 thousand or 8% to $310 thousand, and equipment expenses, up $13 thousand or 5% to $269 thousand. Other non-interest expenses rose $74 thousand or 8% to $1.0 million, primarily due to an increase of $69 thousand or 32% in FDIC deposit insurance assessments.

Income Taxes

The effective tax rate declined to 25% for the three months ended March 31, 1992 from 29% for the same period of 1991 primarily due to an increased proportion of tax-exempt income to income before taxes.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Stockholders of Sandy Spring Bancorp was held on April 15, 1992.

(b) The following persons were elected as directors at the Annual Meeting to serve until the 1995 Annual Meeting: Charles F. Mess, Louisa W. Riggs, Francis Snowden and W. Drew Stabler.

(c) The following other matters were submitted for a vote by security holders:

(1) A proposal to approve the Agreement and Articles of Merger providing for a change of the Company's state of incorporation from Delaware to Maryland was adopted by vote of 1,362,123 shares in favor and 29,500 shares against.

(2) A proposal to approve the 1992 Stock Option Plan for the Company and its subsidiaries was adopted by a vote of 1,350,539 shares in favor and 36,245 shares against.

Item 6. Exhibits and Reports on Form 8-K.

Exhibits:

10(a)	Sixth Amendment to Sandy Spring Bancorp, Inc. Cash and Deferred Profit Sharing Plan and Trust, dated February 24, 1992 (incorporated by reference to Form S-2 Registration Statement, File No. 33-46329)

No reports on Form 8-K were filed during the first quarter of 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized.

SANDY SPRING BANCORP, INC.
(Registrant)

By:

Willard H. Derrick
Chairman of the Board and Chief Executive Officer

Date: May 6, 1992

By: Thomas O. Keech

Thomas O. Keech
Vice President and Treasurer

Date: May 6, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington,D.C. 20549

R91:2260

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) of THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number 0-3624

SUNWEST FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

New Mexico	85-0204075
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
303 ROMA AVENUE N.W., ALBUQUERQUE, NEW MEXICO	87102
(Address of principal executive offices)	(Zip Code)

505/765-2403
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock	9,511,517

(THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933)

SUNWEST FINANCIAL SERVICES, INC.

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SUNWEST FINANCIAL SERVICES, INC.

Consolidated Balance Sheet (Unaudited)

(In thousands)	March 31, 1992	December 31, 1991
ASSETS		
Cash and due from banks, noninterest bearing	$161,402	151,915
Federal funds sold	255,000	305,200
Investment securities (market value of approximately $1,200,595 in 1992 and $1,204,626 in 1991)	1,180,553	1,169,709
Loans	1,640,816	1,636,347
Less: Unearned interest	(30,274)	(29,571)
Allowance for loan losses	(50,705)	(49,038)
Net loans	1,559,837	1,557,738
Premises and equipment, net	93,247	93,896
Accrued interest receivable	35,853	35,354
Foreclosed property, net	50,640	52,026
Goodwill, net	9,320	9,489
Other assets	29,160	30,314
Total assets	$3,375,012	3,405,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing deposits	$412,311	426,962
Interest bearing checking deposits	495,954	471,272
Money market deposit accounts	476,560	453,432
Other savings deposits	253,678	225,296
Time deposits under $100,000	983,546	1,015,892
Time deposits over $100,000	305,709	331,291
Total deposits	2,927,758	2,924,145
Federal funds purchased and securities sold under agreements to repurchase	148,434	168,726
Other short-term borrowings	13,551	29,984
Long-term borrowings	35,000	35,000
Other liabilities	27,508	29,387
Total liabilities	3,152,251	3,187,242
Stockholders' equity:		
Common stock, no par value – authorized 20,000,000 shares; issued 9,511,517 shares in 1992 and 9,504,723 in 1991	118,896	118,754
Retained earnings	103,865	99,645
Total stockholders' equity	222,761	218,399
Total liabilities and stockholders' equity	$3,375,012	3,405,641

FINANCIAL SERVICES, INC.

Consolidated Statement of Operations (Unaudited)

(dollars in thousands)	Quarter Ended March 31	
	1992	1991
Interest income:		
Interest and fees on loans	$42,844	46,769
Interest on investment securities:		
Taxable	19,147	17,797
Tax-exempt	2,236	2,720
Interest on federal funds sold	2,468	4,656
Total interest income	66,695	71,942
Interest expense:		
Interest on deposits	30,290	38,300
Interest on federal funds purchased and other short-term borrowings	1,612	3,064
Interest on long-term borrowings	864	874
Total interest expense	32,766	42,238
Net interest income	33,929	29,704
Provision for loan losses	6,075	5,492
Net interest income after provision for loan losses	27,854	24,212
Noninterest income:		
Service charges on deposit accounts	4,882	4,394
Trust department income	1,783	1,719
Debit card income	636	789
Other income	2,313	2,341
Total noninterest income	9,614	9,243
Noninterest expenses:		
Salaries and employee benefits	15,458	14,480
Net occupancy expense	1,925	1,689
Equipment expense	2,402	2,355
Stationery, printing and other supplies	1,141	1,153
Postage	764	600
Telephone	534	593
Advertising	580	663
FDIC insurance	1,639	1,336
Foreclosed property loss provision and expense	1,750	3,584
Other expenses	5,184	4,641
Total noninterest expenses	31,377	31,094
Earnings before income taxes	6,091	2,361
Income tax expense	1,871	558
Net earnings	$4,220	1,803
Weighted average shares outstanding	9,506,141	9,454,356
Earnings per common share based on weighted average shares outstanding:	$0.44	0.19
Dividends per common share	–	–

SUNWEST FINANCIAL SERVICES, INC
Consolidated Statement of Cash Flows (Unaudited)

(in thousands)	Quarter ended March 31	
	1992	1991
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest Received	$66,101	70,517
Other operating cash receipts	9,614	9,243
Interest paid	(34,806)	(43,489)
Cash payments for salaries and employee benefits	(15,221)	(14,480)
Other operating cash payments	(14,779)	(11,838)
Income tax payments	(671)	(800)
Net cash provided by operating activities	10,238	9,153
Cash flows from investing activities:		
Maturities of investment securities	135,879	113,505
Purchases of investment securities	(146,628)	(106,417)
Net (increase) decrease in loans	(9,406)	5,061
Expenditures for premises and equipment	(1,505)	(1,060)
Proceeds from sales of other real estate owned	1,506	4,235
Other, net	2,173	(6,230)
Net cash applied to investing activities	(17,961)	9,074
Cash flows from financing activities:		
Net increase in deposit accounts	3,613	12,940
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(20,292)	(12,578)
Net increase (decrease) in other short-term borrowings	(16,433)	2,679
Repayment of long-term borrowings	–	(19)
Proceeds from the issuance of common stock	142	75
Dividends paid	–	(1,134)
Net cash provided by (applied to) financing activities	(32,970)	1,963
Net increase (decrease) in cash and cash equivalents	(40,713)	20,190
Cash and cash equivalents at beginning of year	457,115	424,609
Cash and cash equivalents at end of period	$416,402	444,799

	1992	1991
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$4,220	1,803
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,323	2,100
Provision for loan losses	6,075	5,492
Provision for deferred taxes	950	(368)
Discount accretion on investment securities	(95)	(235)
Writedowns and loss on the sale of other real estate owned	1,112	2,912
Change in taxes payable	250	126
Change in prepaid expenses and interest receivable	(2,321)	(2,800)
Change in accrued expenses and interest payable	(2,276)	123
Total adjustments	6,018	7,350
Net cash provided by operating activities	$10,238	9,153

SUPPLEMENTAL INFORMATION:
Noncash financing and investing transactions – For the three months ended March 31, 1992 and 1991, Sunwest acquired $1,569 and $35,056 respectively, of foreclosed real estate and insubstance foreclosures.

Sunwest Financial Services, Inc.
Note to Consolidated Financial Statements

1. Presentation of Interim Consolidated Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect, in the opinion of management, all adjustments necessary for a fair presentation of the results of the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and footnote disclosures included in the Company's 1991 Annual Report and Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF EARNINGS AND FINANCIAL CONDITION

The Company's earnings in the first quarter of 1992 improved from the corresponding period of 1991. Net income for the first quarter of 1992 was $4.2 million, an increase of 134.1% over the $1.8 million earned in the same quarter of 1991. Based on average outstanding common shares, earnings were $0.44 per share, up 132.8% from $0.19 last year. Profitability measures reflected the higher level of earnings in 1992. The annualized return on average equity for the first quarter of 1992 increased to 7.65% from 3.54% in 1991 while the return on average assets improved from .22% a year ago to .50% this year.

The major elements contributing to the increase in first quarter 1992 earnings were a 47 basis point expansion in the net interest margin and a 4% rise in noninterest income. In addition, noninterest expenses were up less than 1% from a year ago due principally to a decline in foreclosed property expenses. These positives were partially offset by an increase in the provision for loan losses which totaled $6.1 million in the first quarter 1992 compared to $5.5 million a year earlier. Although high credit quality costs and elevated levels of nonperforming assets continued to challenge earnings, first quarter results reflected improved asset quality trends. Compared to a year ago, total nonperforming assets (nonaccrual loans, restructured loans and foreclosed properties) were down almost 4%.

On an overall basis, management expects credit quality and related expenses to remain on a generally improving trend with the rate of decline largely dependent on the prevailing economic environment and the commercial real estate market. This assessment is based on, among other things, the Company's recent credit quality experience and published economic statistics and projections. However, even under present conditions credit related expenses should decline measurably from 1991 levels with further, less dramatic, decreases occurring in 1993. The commercial real estate market is predicted to remain weak due to the oversupply and the length of time required for the economy to absorb these properties. While management anticipates an improvement in nonperforming assets and associated costs, the projected levels will still constrain earnings growth. Due to the high volume of nonperforming assets and below average earnings, the payment of quarterly dividends, which was halted in March of 1991, will continue to be suspended for the forseeable future. This will allow the Company to continue to focus on reducing the level of problem assets while preserving a stable capital position.

At March 31,1992, total assets were $3.4 billion compared to $3.3 billion at the same date last year. Deposits totaled $2.9

billion versus $2.8 billion a year ago while loans at $1.6 billion were unchanged. Total shareholder's equity at the end of the current quarter was $222.8 million, an increase of $15.9 million or 7.6% from March 31, 1991.

On March 5, 1992, Sunwest signed a merger agreement with Boatmen's Bancshares, Inc. Under the terms of the agreement, Boatmen's will issue 0.7722 shares of its common stock for each share of Sunwest's outstanding shares. The acquisition, which is expected to be completed in the Fall of 1992, is subject to approvals by Sunwest shareholders and regulatory agencies.

The following discussion presents a more detailed analysis of the Company's performance during the first quarter of 1992 with additional financial information furnished on pages 17 and 18 of this report.

NET INTEREST INCOME

Net interest income, the difference between the interest earned on loans and other earning assets and the interest costs of interest bearing liabilities, continues to be largest contributor to the Company's earnings. First quarter 1992 net interest income, on a fully taxable equivalent basis, increased $3.9 million, or 12.6%, compared to the corresponding period in 1991. Growth in earning assets combined with an expansion of net interest margin were the principal contributors to the advance. Influenced by a lower interest rate environment, earning asset yields and rates paid on interest bearing liabilities were below those of last year. The decline in the cost of interest bearing liabilities, however, outpaced the drop in the yield on earning assets and resulted in the net interest margin increasing 46 basis points to 4.60% from 4.14%. In addition, this improvement occurred despite a reduction in prime rate and continued high levels of nonperforming assets.

EARNING ASSETS

Average earning assets during the first quarter of 1992 increased a modest 1.9% to $3.05 billion from $2.99 billion in the comparable 1991 quarter. The increase in these assets was supported principally from higher levels of core deposits. Reflecting the lower rate environment, a change in the mix of earning assets and the maturity of some high yield securities, the average yield on earning assets for the initial quarter of 1992 declined to 8.92%, 93 basis points below that of a year ago.

Average loans during the first quarter of 1992 decreased 5.1% to $1.60 billion from $1.68 billion in the corresponding 1991 period. Approximately 41% of the decline was attributable to a reduced volume of term federal funds. The balance of the decline reflected overall soft loan demand, charge-offs and transfers to foreclosed properties. Excluding term federal funds transactions, average loans for the 1992 quarter were down 3.1%

from last year. During the 1992 quarter, average loans (net of term federal funds sold) represented 52.1% of average earning assets, contrasted to 54.8% a year earlier. Compared to a year ago, credit card loans and other consumer loans were the only loan categories exhibiting any growth. These loans increased a combined 3.4% which was offset by a 2.1% drop in real estate related loans and, excluding term federal funds, a 1.3% decline in commercial loans. The Company continued its conservative posture regarding commercial real estate credits as the weak market provides limited sound lending opportunities. This factor in conjunction with charge-offs and transfers to foreclosed properties produced the decrease in real estate loans. The decline in commercial loans was primarily due to sluggish demand and borrowers' reluctance to increase leverage. Reflecting a lower interest rate environment and high levels of nonaccruing loans, the average yield on loans for the current year's quarter fell 49 basis points to 10.82% from 11.30% in the corresponding 1991 period.

As growth in deposits outpaced loan growth during the first quarter of 1992, securities were the primary alternative utilized for the deployment of excess funding. Consequently, total average investment securities during the first quarter of 1992 rose 18.8% to $1.20 billion from $1.01 billion last year. As a percentage of total average assets, investment securities were 39.5% during the 1992 opening quarter up from 33.9% a year ago. In the near term, it is anticipated that the securities portfolio will continue to become a larger component of earning assets due to weak loan demand and the Company's conservative underwriting standards. Although adding to liquidity, the lower yield, when compared to loans, will restrict expansion in the Company's net interest margin. On a fully taxable equivalent basis, the yield on the total securities portfolio during the first quarter of 1992 was 7.45%, 105 basis points less than 1991. The decline in yield resulted from the investment of excess funding in lower yielding securities, generally lower interest rates and the impact of maturing high yield securities.

Increased holdings of taxable securities accounted for all of the advance in the securities portfolio over last year. The average balance of these securities increased 24.7% from 1991 to $1.09 billion. During the same period, tax exempt securities declined 16.4% to $113 million, reflecting the impact of tax law changes enacted in 1986 that reduced the benefit to banks of investing in tax exempt instruments by lowering their taxable equivalent yields. For the 1992 quarter, the average yield on taxable securities was 6.99% which represented a 96 basis point drop from 1991. The yield on tax exempts was also down from last year, falling 18 basis points to 11.90% from 12.08%. Average taxable securities comprised 90.7% of total average securities during the 1992 quarter up from 86.8% a year earlier while tax exempts declined to 9.3% from 13.2%.

Reflecting growth in investment securities and a reduction in short-term purchased funds, the average level of federal funds sold declined from year ago levels. The average yield on these assets was also down from last year, the result of a lower interest rate environment. Average federal funds sold in the first quarter of 1992 decreased $46.3 million, 15.6%, from the corresponding period last year and the yield slipped to 3.93% from 6.26%.

SOURCES OF FUNDS

The Company's principal funding sources are interest bearing liabilities. These liabilities include interest bearing deposits, federal funds purchased, securities sold under repurchase agreements, other short-term borrowings and long-term debt. During the first quarter of 1992, interest bearing liabilities at an average of $2.72 billion were up a modest 1.1% from first quarter 1991 and represented 89% of average earning assets, essentially the same as last year. In response to the lower rate environment, the overall cost of these funds declined to 4.85%, 151 basis points below the year ago rate of 6.36%.

The major portion of interest bearing liabilities consist of interest bearing deposits. Average interest bearing deposits for the current quarter of 1992, increased to $2.51 million, $65 million, or 2.7%, above the 1991 first quarter average. During the first three months of 1992, these deposits comprised 92% of total interest bearing funding sources only slightly higher than last year's 91%. Although overall deposit growth was slow, core deposits continued to expand. This was largely in response to the ongoing marketing efforts of the Company which focus on increasing this stable source of funds. However, low interest rates led customers to seek alternative investments and to increase liquidity in anticipation of rising interest rates. This trend was reflected in the change in the mix of the Company's core deposit base. Strong growth occurred in regular savings, NOW accounts, money market deposits and other consumer time deposits while small denomination certificates of deposits decreased. Furthermore, slow loan growth and adequate funding from other sources reduced the need for more expensive sources of funding and resulted in a decline in certificates of deposit over $100,000. In the first quarter of 1992, the average balance of regular savings accounts grew to $240 million, a 36.1% rise over the same quarter of 1991. During the same period, NOW accounts rose to an average of $484 million, 15.7% more than last year, money market deposit accounts averaged $466 million, a 9.7% increase from the corresponding 1991 quarter and other consumer time deposits increased 6.1% to $216 million. Noninterest bearing demand deposit accounts were also above year ago amounts, increasing 8.4% to $399 million. In contrast to these advances, the average balance of small denomination certificates of deposit was down 2.3% to $785 million with certificates of deposits over $100,000 falling 23.7% to an average of $317 million. For the current quarter, the average rate paid for interest bearing deposits at 4.86% was 150 basis points lower than the year ago rate.

The Company utilizes short-term borrowings primarily to manage its interest rate sensitivity and liquidity positions with the majority of these funds being invested in short-term money market assets. A significant portion of these borrowings consist of securities sold under agreement to repurchase which provide the Company an additional short-term funding source and at the same time afford customers an additional short-term investment option. During the last 12 months, deposit growth and soft loan demand have reduced the Company's need for other funding sources. As a result, average short-term borrowings for the first quarter of 1992 declined $37 million, or 17.4%, from 1991. The average rate was also down from last year, decreasing 212 basis points to 3.72% from 5.84%.

ASSET QUALITY

During the first quarter of 1992, the Company's provision for loan losses, allowance for loan losses and overall credit quality continued to reflect the impact of a down economy and the weak commercial real estate market. As mentioned earlier, however, asset quality and related expenses have exhibited positive trends in recent periods. Management expects the headway to continue with the magnitude of progress being principally influenced by the above factors.

An intrinsic element of the lending and credit commitment process is the risk of loss. In recognition of this risk, Sunwest maintains an allowance for loan losses as a reserve to cover estimated losses associated with loan and credit commitments. Management, on an ongoing basis, evaluates the potential loss exposure related to the loan portfolio and credit commitments and through this analysis, the adequacy of the allowance for loan losses and the corresponding provision required to maintain it at an appropriate level are determined. The assessment includes a review of the following factors: past due and other problems loans, current and forecasted economic conditions, portfolio mix, collateral values, financial condition of borrowers, loan growth, average life of the portfolio and historical loss experience. Based on current evaluations, management considers the allowance for loan losses at March 31, 1992, appropriate and adequate to provide for future losses inherent within the current loan portfolio and credit commitments. However, subsequent reviews of the loan portfolio and credit commitments, as well as changes in economic and real estate market conditions, could require significant adjustments in the level of the allowance.

Nonperforming assets are comprised of loans past due 90 days or more and still accruing, nonaccrual loans, restructured loans and foreclosed properties. In addition to properties acquired through foreclosure, foreclosed properties also include insubstance foreclosures. Loans are classified as insubstance foreclosures when the Company essentially controls the loan collateral due to the borrowers having little or no equity ownership in such collateral and economic prospects do not indicate that the debtor will be able to increase equity or otherwise service the associated debt. Furthermore, repayment of the loan is expected to only be accomplished by the operation or sale of the collateral. Foreclosed properties are carried at the lower of the Company's recorded investment in the related loan or at the fair value of the property. Fair value of such assets is based on independent appraisals using standard appraisal techniques as required under banking regulatory guidelines. In certain cases, parcels of properties represent projects that involve the development of commercial office buildings, residential developments or recreational properties such as golf courses, etc. These properties require varying time periods for completion of the construction and selling phases of the developments to realize maximum economic value. The workout or absorption rates utilized in evaluating these properties may range from 5 to 12 years. The extended workout periods are considered within the appraisals and these appraisals fully conform to the Uniform Standards of Professional Appraisal Practice and the regulatory requirements as mandated by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). As such, the appraisals address all of the 3 standard approaches to value: the cost, the comparable sales and the income approaches. In some cases, Sunwest establishes a carrying value of less than 100% of current fair value in order to accelerate its foreclosed property disposition efforts.

The overall level of nonperforming assets at March 31, 1992 declined to $115.3 million from $118.1 million at year end 1991 and $121.1 million a year ago. The current quarter end total equaled 6.94% of total loans and foreclosed properties, compared to 7.12% and 7.10% at December 31, 1991 and March 31, 1992, respectively. At the end of the current quarter, loans past due 90 days or more totaled $5.2 million, nonaccrual loans measured $58.4 million, restructured loans were $1.1 million and foreclosed properties amounted to $50.6 million. Nonperforming assets at December 31, 1991, consisted of loans past due 90 days or more of $6.1 million, nonaccrual loans were $57.5 million, restructured loans amounted to $1.1 million and foreclosed properties equaled $53.4 million. The March 31, 1991, total included loans past due 90 days or more of $6.6 million, nonaccrual loans of $37.9 million, restructured loans of $1.8 million and foreclosed properties of $74.8 million. The increase in the balance of nonaccrual loans over the year ago total was due primarily to the addition of a $17 million credit during the second quarter of 1991 with the decline in the level of foreclosed properties reflecting sales and writedowns.

The Company's provision for loan losses during the first quarter of 1992 was primarily influenced by the real estate market. Although the market showed signs of stabilization, inventories of properties remained excessive, prolonging the absorption period necessary to dispose of these properties. As a result, cash flows for some real estate related borrowers continued to be strained, limiting debt servicing capacities and restricting the recovery of real estate collateral values. In the first quarter of 1992, the provision for loan losses was $6.1 million, an increase of 10.6% over the same period last year.

Through the end of the current quarter, net charge-offs amounted to $4.4 million, equal to 1.10% (annualized) of loans. This compares to net charge-offs last year of $9.3 million, or 2.22% of loans. At March 31, 1992, the allowance for loan losses totaled $50.7 million, or 3.15% of total loans. This compares to $49 million, or 3.05% of total loans, at year end 1991 and $45.1 million, 2.76% of total loans, at the close first quarter 1991. The allowance provided coverage for 86.8% of nonaccrual loans at the end of the current quarter compared to 85.2% and 118.8% on December 31, 1991 and March 31, 1991, respectively.

NONINTEREST INCOME

Noninterest income for first quarter 1992 was $9.6 million, an increase of $371 thousand, or 4%, from first quarter 1991. The advance was led by an increase of $488 thousand, 11.1%, in service charges on deposit accounts while income derived from trust services increased 3.7%. These gains were principally due to corporate growth. Debit card income was down $153 thousand, or 19.4%, from last year. This decline reflected a price restructuring relating to services provided to a number of local credit unions. The balance of income derived from noninterest sources was relatively unchanged from last year.

NONINTEREST EXPENSE

Reflecting an $1.8 million decrease in the provision for foreclosed properties and related expenses, total noninterest expense was virtually flat when compared to last year. However, excluding these expenses, noninterest expense was up $2.1 million, or 7.7%, over 1991. Personnel expense, the largest item of noninterest expense, rose 6.8% from first quarter 1991. The increase was the result of normal salary adjustments and staff additions necessitated by corporate growth and the need to increase the staffing in the areas associated with asset quality. Occupancy and equipment expenses were also up from last year reflecting the Company's ongoing efforts to better serve its customers through up-to-date and efficient equipment and facilities. For the quarter, these expenses were $4.3 million which was 7% higher than the year ago amount. Postage expense increased 27.3% over last year due, primarily, to a rate increase in the second quarter of 1991. Increases in deposits coupled with a higher assessment rate resulted in a 22.7% rise in FDIC insurance. The balance of first quarter 1992 noninterest expenses advanced 5.5% from 1991 due, largely, to business growth.

INCOME TAXES

The Company's provision for income taxes rose to $1.9 million in the opening quarter of 1992 from $558 thousand in 1991, representing an increase in the effective tax rate to 30.7% from 23.6%. The current quarter's tax expense included deferred tax expense of $957 thousand contrasted to a deferred tax benefit of $368 thousand last year. This change was due primarily to lower tax rates applicable to carry-back years associated with the computation of the Company's deferred tax position under SFAS No. 96.

CAPITAL ADEQUACY

The Company's capital position is subject to ongoing reviews by management to ensure that adequate levels are maintained to support asset growth, absorb potential losses and to comply with regulatory guidelines. Both the evaluation of capital adequacy and the capital planning process consider current and future needs. In recent years, regulators have placed an increased emphasis on capital adequacy resulting in new assessment guidelines which take into account off-balance sheet risk exposure and also include a leverage ratio. The guidelines are being phased in over a two year period which began December 31, 1990 and are to be fully implemented by year end 1992. Under the guidelines, by year end 1992 financial institutions must have minimum total capital of 8% of risk-weighted assets (including certain off-balance-sheet items such as standby letters of credit and firm loan commitments) with an interim requirement of 7.25%. At least half of the total capital must be comprised of Tier 1 capital (common equity, retained earnings and qualifying perpetual preferred stock reduced by unidentified intangibles such as goodwill). The balance, Tier 2 capital, may consist of a limited amount of subordinated debt, certain types of preferred stock and a portion of the allowance for loan losses. Regarding the leverage ratio, beginning December 31, 1991, bank holding companies must maintain a minimum leverage ratio of Tier 1 capital, using the 1992 definition, to total adjusted assets of 3%. This minimum applies only to the most highly rated banks that are not experiencing or anticipating significant growth. All other rated banks are expected to have minimum ratio of at least 4% to 5%.

Traditionally, the Company has met most of its capital requirements through the retention of earnings supplemented by common stock issued through the employee stock purchase plan and the dividend reinvestment plan. However, due to subpar earnings over the last few years, internally generated capital has not been at levels sufficient enough to allow the Company to properly address asset quality and at the same time preserve a strong capital structure. This resulted in a modification in funding strategies led by the decision of the Board of Directors, in the third quarter of 1990, to reduce per share dividend payments from $0.28 to $0.12, and then, on March 8, 1991, to suspend dividends payments for an indefinite period of time. This has permitted the Company to aggressively address asset quality problems while maintaining a stable capital position without any additional funding from outside sources. Management does not foresee the restoration of dividend payments until an improved level of sustained earnings is achieved and nonperforming asset levels are substantially reduced.

Management currently uses the risk-based capital and leverage ratios established by regulatory agencies to measure its capital adequacy. At March 31, 1992, these ratios were significantly above the requirements under the guidelines effective December 31, 1992. The Company's risk based capital ratio at the end of March was 13.01% and the leverage ratio was 6.34%.

ASSET/LIABILITY MANAGEMENT

The Company uses various asset and liability sources to effectively meet cash flow requirements. Major sources of asset liquidity for the Company's subsidiary banks consist of: cash flows from loan repayments, maturities of short term money market investments and maturities of securities. Liability sources of liquidity primarily include: a stable core deposit base, large dollar bid deposits, the purchase of federal funds, the sale of securities under agreements to repurchase and borrowings from the Federal Reserve Bank. Principal sources of liquidity for the Parent Company funding are: equity capital, long and short-term debt and dividends from subsidiaries. However, as disclosed below in SUPERVISORY ACTIONS, future dividends available from subsidiaries could be restricted. The Company's liquidity needs are currently being met without regard to the limitations imposed by these restrictions.

The Company's interest sensitivity position is regularly monitored and adjusted by the Funds Management Committee to control and reduce the negative impact that changes in interest rates may have on earnings. At March 31, 1992, the Company's ratio of interest sensitive assets to interest sensitive liabilities in the one year time frame was 101%, unchanged from year end 1991, and compares to 90% at the end of the 1991 first quarter.

SUPERVISORY ACTIONS

The Board of Directors of Sunwest Financial Services, Inc., in July 1990, adopted Board Resolutions which responded to the concerns expressed as a result of the Bank Holding Company inspection by the Federal Reserve Bank of Kansas City which was completed in March 1990. The resolutions provide, among other things, that:

-Sunwest shall provide the Federal Reserve Bank of Kansas City with 15 days prior written notification of any proposed declaration of dividends on its common stock, which proposed dividend shall not be paid less than 30 days from the date of such notice. Each proposal shall include the source(s) of funds for the proposed dividend.

- Sunwest shall provide the Reserve Bank with 30 days prior written notification of any proposed dividend from any of

Sunwest's subsidiary banks. Each such proposal shall include the source(s) of funds for the proposed dividend, and the effect of such proposed dividend on the subsidiary bank capital.

- Sunwest shall not redeem any of its common stock without the prior written approval of the Reserve Bank.

- Sunwest shall not incur any additional debt, other than that authorized or approved by existing lines of credit, without 15 days prior written notification to the Reserve Bank.

The resolutions are not meant to remain in effect for an indefinite period and at least annually Sunwest's board of directors and Reserve Bank officials will review the need for the continuation of the resolutions.

The Company's lead bank, Sunwest Bank of Albuquerque, N.A.(the Bank), has a formal agreement with the Office of the Comptroller of the Currency, under which Sunwest Bank of Albuquerque, N.A. has agreed, among other things, not to declare or pay any dividend without prior notification to the District Administrator. The agreement also requires the Bank to take various actions regarding management, criticized assets, loan administration, loan review and allowance for loan and lease losses. The provisions of the agreement are to remain in effect unless or until the provisions are amended by mutual consent of both parties or excepted, waived, or terminated by the Comptroller.

Sunwest Bank of El Paso (the El Paso Bank) is operating under a Notice of Determination (Notice) with the Banking Commissioner for the State of Texas (Commissioner) and the Regional Director of the Federal Deposit Insurance Corporation (Regional Director) for improving the financial condition of the El Paso Bank. The El Paso Bank, among other things, will not declare or pay dividends without prior written consent of the Commissioner and the Regional Director. Additionally, the Notice requires the EL Paso Bank and the its Board of Directors to take various measures to improve loan administration, the level of criticized assets, capital adequacy and the maintenance of an adequate allowance for loan losses. The Notice will remain in effect until it is determined by the Commissioner and the Regional Director that all of the requirements of the Notice are met and the Notice is terminated in writing by the Commissioner and the Regional Director.

Summary of Net Interest Income

TABLE 1

(in millions)	*Quarter Ended March 31,* *1992*	*1991*
Average loans	$1,596.1	$1,683.1
Average earning assets	3,051.9	2,994.7
Average core deposits	2,590.1	2,395.1
Average purchased funds	490.5	625.8
Net interest income [FTE]	35.06	31.14
Net interest margin	4.60%	4.14%

Summary of Allowance for Loan Losses

TABLE 2

March 31 (in thousands)	*1992*	*1991*
Balance, beginning of year	$49,038	$48,930
Loans charged off	(5,410)	(10,121)
Recoveries on loans previously charged off	1,002	779
Net charge-offs	(4,408)	(9,342)
Provision charged to expense	6,075	5,492
Balance, end of period	$50,705	$45,080
Reserve at end of period:		
Loan reserve as % of net loans	3.15%	2.76%
Loan reserve as % of of nonperforming loans	78.39%	97.37%
Net charge-offs as % of average loans	1.10%	2.22%

Summary of Nonperforming assets

TABLE 3

(in thousands)	*March 31, 1992*	*December 31, 1991*	*March 31, 1991*
Nonaccrual	$58,389	$57,516	$37,943
Restructured	1,121	1,135	1,806
Past due 90 days or more	5,177	6,143	6,551
Total nonperforming loans	64,687	64,794	46,300
Foreclosed property	50,640	53,370	74,822
Total nonperforming assets	$115,327	$118,164	$121,122
Nonperforming loans as % of total loans	4.02%	4.03%	2.84%
Nonperforming assets as % of total loans and foreclosed property	6.94%	7.12%	7.10%
Nonperforming assets as % of total assets	3.42%	3.47%	3.68%
Loan reserve as % of nonperforming loans	78.39%	75.68%	97.37%

Summary of Loan Portfolio

TABLE 4

(in thousands)	*March 31, 1992*	*December 31, 1991*	*March 31, 1991*
Commercial	$394,750	$408,637	$447,765
Real estate mortgage	795,046	785,421	786,015
Real estate construction	64,970	68,304	63,746
Consumer	379,091	369,695	362,086
Lease financing	5,425	4,290	3,227
Total loans	1,639,282	1,636,347	1,662,839
Less unearned income	(28,777)	(29,571)	(31,026)
Total net loans	$1,610,505	$1,606,776	$1,631,813

Composition of Loan Portfolio

TABLE 5

(in millions)	*March 31, 1992* Amount	% of total loans	*December 31, 1991* Amount	% of total loans	*March 31, 1991* Amount	% of total loans
Real estate:						
1–4 family residential	$354.3	21.6	$347.8	21.3	$336.8	20.3
Real estate construction	64.8	3.9	68.3	4.2	63.7	3.8
Farmland	61.8	3.8	48.7	3.0	54.0	3.2
Commercial real estate	379.1	23.1	388.9	23.7	395.2	23.8
Total real estate	860.0	52.4	853.7	52.2	849.7	51.1
Commercial loans	359.9	22.0	365.2	22.3	416.3	25.0
Agriculture	36.4	2.2	43.4	2.7	31.5	1.9
Consumer:						
Home equity	9.1	0.6	9.9	0.6	9.5	0.6
Credit card	92.0	5.6	94.7	5.8	80.0	4.8
Installment	278.0	16.9	265.1	16.1	272.6	16.4
Total consumer	379.1	23.1	369.7	22.5	362.1	21.8
Lease financing	5.4	0.3	4.3	0.3	3.2	0.2
Total loans	$1,640.8	100.0	$1,636.3	100.0	$1,662.8	100.0

Capital Structure

TABLE 5

(in thousands)	*March 31, 1992*	*December 31, 1991*	*March 31, 1991*
Total capitalization	$222,761	$218,399	$206,940
Tangible equity	$213,461	$208,910	$196,884
Ratios			
Equity/assets	6.60%	6.41%	6.28%
Tangible equity/assets	6.34%	6.15%	5.99%

Risk–Based Capital

TABLE 7

1992 standards

March 31 (in millions)	*1992*	*1991*
Tier I capital:		
Stockholders' equity	$222,761	$206,940
Less: goodwill	(9,320)	(10,056)
Total Tier I	213,441	196,884
Tier II capital:		
Allowable reserve for loan losses	23,202	27,191
Total Tier II	23,202	27,191
Total capital	$236,643	$224,075
Risk–based capital ratios:		
Tier I	11.73%	9.17%
Total	13.01%	10.43%
Risk–adjusted assets	$1,819,349	2,147,357

No adjustments have been made and, in the opinion of management, no adjustments are necessary, to present fair financial information for either registrant or subsidiary banks.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities

Not applicable

Item 3. Default upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

The Company filed the following reports on Form 8-K during the first quarter of 1991:

(1) March 2, 1992, under Item 5, containing the News Release of February 27, 1992, announcing that the Company was considering business combination proposals from several parties

(2) March 11, 1992, under Item 5 and Item 7, containing the News Release and other information filed as exhibits regarding the announcement that the Company had signed a merger agreement with Boatmen's Bancshares, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUNWEST FINANCIAL SERVICES INC.
(Registrant)

Ike Kalangis
Ike Kalangis, President and
Chief Executive Officer

Timothy A Marquardt
Timothy A. Marquardt, Senior
Vice President and Chief
Financial Officer

May 11, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934.

FOR THE QUARTER ENDED March 31, 1992	Commission File Number 0-17272

TECHNE CORPORATION
(Exact name of Registrant as specified in its charter)

Minnesota (State of incorporation)	41-1427402 (I.R.S. Employer Identification No.)

614 McKinley Place N.E., Minneapolis, MN 55413
(Address of principal executive offices) (Zip Code)
Telephone number: (612) 379-8854

Indicate by check mark whether the Company (1) has filed reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements of the past 90 days. Yes X No____.

At May 1, 1992, 8,995,472 shares of the Company's Common Stock (par value $.01) were outstanding.

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TECHNE CORPORATION & SUBSIDIARIES
FORM 10-Q
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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	UNAUDITED 3/31/92	AUDITED 6/30/91
Cash and cash equivalents	$ 3,889,794	$ 1,979,738
Short term investments	677,628	
Accounts receivable (net)	3,110,336	3,349,011
Inventories	2,216,659	2,081,487
Other current assets	259,242	347,597
Total current assets	10,153,659	7,757,833
Fixed assets (net)	1,852,513	1,809,361
Intangible assets (net)	2,361,713	
TOTAL ASSETS	$14,367,885	$ 9,567,194

LIABILITIES & EQUITY		
Trade accounts payable	$ 408,157	$ 802,767
Salary and related	939,429	1,127,783
Other payables	413,267	198,512
Income taxes payable	234,937	173,437
Current portion of long term debt	147,130	290,757
Total current liabilities	2,142,920	2,593,256
Long term debt	2,337,012	466,731
Negative goodwill		185,041
Common stock, par value $.01 per share; authorized 50,000,000; issued and outstanding 8,595,472 and 7,980,729 respectively	85,955	79,807
Additional paid-in capital	5,524,752	2,616,705
Accumulated foreign currency translation adjustment		68,985
Retained earnings	4,277,246	3,556,669
Total equity	9,887,953	6,322,166
TOTAL LIABILITIES AND EQUITY	$14,367,885	$ 9,567,194

See notes to unaudited Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/92	3/31/91	3/31/92	3/31/91
Sales	$ 5,879,283	$ 5,406,048	$15,994,312	$14,188,417
Cost of sales	2,752,303	2,525,458	7,990,537	6,988,530
Gross margin	3,126,980	2,880,590	8,003,775	7,199,887
Operating Expenses:				
Selling, gen. and admin.	1,185,653	1,656,053	3,810,042	4,443,912
Research and development	666,817	533,982	1,873,715	1,410,232
Amortization expense	141,194		329,453	
Interest expense	48,542	24,931	133,517	64,889
Interest income	(29,604)	(20,034)	(75,832)	(71,837)
Loss on sale of subsidiary			307,000	
	2,012,602	2,194,932	6,377,895	5,847,196
Earnings before income taxes	1,114,378	685,658	1,625,880	1,352,691
Income taxes	372,000	243,000	757,000	393,000
Earnings before extraordinary item	742,378	442,658	868,880	959,691
Utilization of net loss carryforward		36,000		36,000
NET EARNINGS	$ 742,378	$ 478,658	$ 868,880	$ 995,691
PER SHARE:				
Earnings before extraordinary item	$ 0.08	$ 0.05	$ 0.09	$ 0.11
Extraordinary item		0.01		0.01
Net earnings	$ 0.08	$ 0.06	$ 0.09	$ 0.12
COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	9,252,660	8,680,600	9,164,421	8,627,817

See notes to unaudited Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED	
	3/31/92	3/31/91
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 868,880	$ 995,691
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	739,375	347,707
Bad debt expense	4,537	9,604
Amortization of negative goodwill	(20,553)	(61,659)
Loss on sale of subsidiary	307,000	
Change in current assets and current liabilities, net of acquisition and disposal:		
(Increase) decrease in:		
Accounts receivable	(741,033)	(504,477)
Inventories	234,539	(122,744)
Other current assets	18,254	(77,111)
Increase (decrease) in:		
Trade account/other payables	311,747	91,256
Salary and related	340,257	301,840
Income taxes payable	61,500	(21,331)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,124,503	958,776
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition costs	(81,166)	
Net proceeds from sale of subsidiary	1,000,575	
Additions to short-term investments	(677,628)	
Additions to fixed assets	(382,172)	(780,996)
NET CASH USED BY INVESTING ACTIVITIES	(140,391)	(780,996)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	(246,175)	(125,189)
Increase in notes payable	78,657	127,878
Issuance of common stock	251,896	51,998
Repurchase of common stock	(159,554)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(75,176)	54,687
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,120	(27,847)
NET CHANGE IN CASH AND EQUIVALENTS	1,910,056	204,620
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	1,979,738	1,308,446
CASH AND EQUIVALENTS AT END OF PERIOD	$ 3,889,794	$ 1,513,066

See notes to unaudited Financial Statements.

TECHNE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION:

The unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles and with instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of Management, the accompanying unaudited Consolidated Financial Statements contain all necessary adjustments (consisting of normal recurring accruals) and disclosures and present fairly the Company's financial position, results of operations, and cash flows.

A summary of significant accounting policies followed by the Company is detailed in the Annual Report to Shareholders for fiscal 1991. The Company follows these policies in preparation of the interim Financial Statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Financial Statements be read in conjunction with the Company's Financial Statements and Notes thereto for the fiscal year ended June 30, 1991 included in the Company's Annual Report to Shareholders for fiscal 1991.

Certain Balance Sheet captions appearing in this interim report are as follows:

ACCOUNTS RECEIVABLE	3/31/92	6/30/91
Accounts receivable	$3,122,336	$3,428,011
Less reserve for bad debts	12,000	79,000
NET ACCOUNTS RECEIVABLE	$3,110,336	$3,349,011

INVENTORIES		
Raw materials	$ 515,351	$ 751,862
Work in process		48,616
Supplies	172,979	112,631
Finished goods	1,528,329	1,168,378
TOTAL INVENTORIES	$2,216,659	$2,081,487

FIXED ASSETS		
General equipment	$2,816,637	$2,633,969
Office equipment	800,812	634,944
Leasehold improvements	494,260	573,856
	4,111,709	3,842,769
Less accumulated depreciation and amortization	2,259,196	2,033,408
NET FIXED ASSETS	$1,852,513	$1,809,361

NEGATIVE GOODWILL	6/30/91
Excess of net assets over purchase price	$ 678,313
Less accumulated amortization	493,272
NEGATIVE GOODWILL	$ 185,041

INTANGIBLE ASSETS	3/31/92
Customer list	$1,010,000
Technology licensing agreements	500,000
Goodwill	1,181,166
	2,691,166
Less accumulated amortization	329,453
NET INTANGIBLE ASSETS	$2,361,713

Intangible assets are related to the acquisition of Amgen Inc.'s research reagent and diagnostic kit businesses (See Note 2). Intangible assets are being depreciated on a straight line basis as follows: customer list - 3 years; technology licensing agreements - 16 years; and goodwill - 6 years.

NOTE 2 - ACQUISITION:

On August 19, 1991, the Company acquired the research reagent and diagnostic kit businesses of Amgen Inc. Assets acquired were $1,730,000 inventory, $160,000 equipment and $2,610,000 intangible assets. In consideration of the assets acquired, the Company issued 320,000 shares of common stock valued at $2.5 million (based on the average market price of the stock over the 20 days preceding the closing) and a six-year 7% convertible debenture in the amount of $2 million (convertible into shares of common stock at $9.375 per share). In addition, $81,166 of legal and other professional fees related to the Amgen acquisition have been included in goodwill.

Sales for the quarter and nine months ended March 31, 1992 include $744,659 and $1,878,254, respectively, related to products acquired from Amgen on August 19, 1991. Amgen did not treat its research reagent and diagnostic kit businesses as stand alone divisions and as a result did not account for them separately. Therefore quarterly operating financial information related to the research reagent and diagnostic kit businesses acquired from Amgen for fiscal 1991 and the period of July 1, 1991 to August 19, 1991 is not available. Net sales, cost of sales and gross profit reported by Amgen which were included in the research reagent and diagnostic kit businesses sold to the Company for the year ended March 31, 1991 are as follows:

	YEAR ENDED 3/31/91
Net sales	$2,684,000
Cost of sales	1,003,000
Gross profit	$1,681,000

NOTE 3 - DISPOSAL OF HYCEL S.A.:

Effective October 1, 1991, the Company sold its wholly owned French subsidiary, Hycel S.A. to Groupe Lisabio, a private French company. The loss on the sale of approximately $232,000 plus legal and professional fees of approximately $75,000 have been included in the results of the first quarter of fiscal 1992. The Company received approximately $416,000 cash for Hycel S.A. plus $659,000 in payment of all intercompany loans and interest due from Hycel. For tax purposes, this transaction resulted in a gain of approximately $260,000 and a tax liability of approximately $94,000, which was included in the income tax provision for the quarter ended September 30, 1991.

The Company's financial statements include amounts for Hycel S.A. operations for the quarters and nine months ended March 31, 1992 and 1991, as follows:

	QUARTER ENDED	NINE MONTHS ENDED	
	3/31/91	3/31/92	3/31/91
Net sales	$1,555,879	$1,166,371	$4,725,506
Net earnings	73,340	(38,613)	183,545

The Company's financial statements include amounts for Hycel S.A. as of June 30, 1991 as follows:

	6/30/91
Total assets	$2,672,444
Net assets	1,162,469

NOTE 4 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND OF NONCASH INVESTING/FINANCING ACTIVITIES:

The Company paid and received cash for the following items:

	NINE MONTHS ENDED	
	3/31/92	3/31/91
Income taxes paid	$ 695,500	$ 378,331
Interest paid	101,550	64,889
Interest received	62,167	71,837

Noncash transactions during the periods consisted of:

Nine months ended March 31, 1992 and 1991:

1. During the nine months ended March 31, 1992, the Company issued 320,000 shares of common stock valued at $2.5 million and a $2 million convertible debenture when it purchased the research reagent and diagnostic kit businesses of Amgen Inc.

2. The June 30, 1990 accrued stock bonus contribution of $25,000 was paid by issuing 9,091 shares of common stock to the Plan during the nine months ended March 31, 1991. $13,995 of the June 30, 1991 accrued stock bonus contribution was paid by issuing 2,017 shares of common stock to the Plan during the nine months ended March 31, 1992.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations
Quarter And Nine Months Ended March 31, 1992
vs. Quarter And Nine Months Ended March 31, 1991

Company Structure

Prior to October 1, 1991, the Company operated two wholly owned subsidiaries: Hycel S.A. located in France and Research and Diagnostic Systems, Inc. (R & D) located in Minneapolis, Minnesota. On October 1, 1991, the Company sold its Hycel S.A. subsidiary. Subsequent to the sale, consolidated financial results consist almost entirely of the operations of the Company's R & D subsidiary. R & D has two divisions: Biotechnology and Hematology. The Biotechnology Division manufactures purified cytokines (proteins), antibodies and assay kits which are sold to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospital and clinical laboratories to check the performance of their hematology instruments to assure the accuracy of hematology test results.

Net Sales.

Net sales for the quarter ended March 31, 1992 were $5,879,283, an increase of $473,235 (9%) from the quarter ended March 31, 1991. Sales for the nine months ended March 31, 1992 increased $1,805,895 (13%) from $14,188,417 to $15,994,312.

During the quarter ended March 31, 1992 net sales by the Company's Research & Diagnostic Systems, Inc. subsidiary, increased $2,029,114 (53%) from $3,850,169 to $5,879,283. Net sales by R & D for the nine months also increased $5,365,030 (57%) from $9,462,911 to $14,827,941.

Approximately 35% and 34% of the increase in R & D's sales for the quarter and nine months ended March 31, 1992, respectively, was due to the increase in sales of its Quantikine kits. In fiscal 1990, the Biotechnology Division of R & D released its first Quantikine kits and currently there are 14 kits on the market. Sales of such kits for the quarter and nine months ended March 31, 1992 were $1,489,066 and $3,528,457, respectively, compared to $777,584 and $1,715,861 for the quarter and nine months ended March 31, 1991.

An additional 37% and 35% of the increase in R & D's sales for the quarter and nine months ended March 31, 1992, respectively, was the result of the acquisition on August 19, 1991 of Amgen Inc.'s research reagent and diagnostic kit businesses. Sales of these products were $744,659 and $1,878,254 for the quarter and nine months ended March 31, 1992, respectively.

The increase in R & D's sales for the quarter and nine months was offset by the decrease in sales as a result of the sale of Hycel S.A. on October 1, 1991. Net sales of Hycel included in the current year results were $1,166,371 for the first quarter of fiscal 1992. Hycel sales for the quarter and nine months ended March 31, 1991 were $1,555,879 and $4,725,506, respectively.

Gross Margins.

Gross margins, as a percentage of sales, decreased slightly from the prior year. Margins for the third quarter of fiscal 1992 were 53.2% compared to 53.3% for the same quarter in fiscal 1991. Margins for the nine months ended March 31, 1992 were 50.0% compared to 50.7% for the same period in fiscal 1991.

The decrease was mainly due to a decrease in Biotechnology gross margins which were 60.3% compared to 62.3% for the quarters ended March 31, 1992 and 1991, respectively, and 57.3% compared to 60.2% for the nine month periods then ended. The decrease was the result of additional production and royalty costs associated with the product lines acquired from Amgen Inc.

Selling, General and Administrative Expenses.

Selling, general and administrative expenses decreased by $470,400 (28%) from the third quarter of fiscal 1991 to the third quarter of fiscal 1992. These expenses also decreased $633,870 (14%) for the first nine months of fiscal 1992.

R & D's selling, general and administrative expenses increased by $170,154 and $737,286 for the quarter and nine months ended March 31, 1992. Approximately 92% and 45% of the increase for the quarter and nine months, respectively, was due to additional advertising and promotional expenses as a result of the Amgen acquisition, increased advertising of current Biotechnology products and printing of new Biotechnology product catalogs. An additional 42% of the increase for the nine months ended March 31, 1992 was a result of increased wages and bonus/profit sharing provision. The increased personnel costs relate to additional Biotechnology marketing staff added since the prior year.

The increase in R & D's selling, general and administrative expenses was offset by the decrease in these expenses after the sale of Hycel. Hycel's selling, general and administrative costs were $557,546 for the first quarter of fiscal 1992, while these costs for the quarter and nine months ended March 31, 1991 were $651,754 and $2,001,485, respectively.

Research and Development Expenses.

Research and development expenses increased $132,835 (25%) for the quarter ended March 31, 1992 and $463,483 (33%) for the nine months ended March 31, 1992.

The increase is a result of increased Biotechnology research and development costs related to several new cytokines, antibodies, diagnostic assay and fluorokine kits recently or soon to be released. Research costs for Hematology also increased slightly. The Hematology Division is currently developing controls for several new instruments.

Loss on Sale of Subsidiary.

As discussed in Note 3 to the consolidated financial statements (unaudited), the Company sold its Hycel subsidiary on October 1, 1991. The sale of Hycel will allow the Company to concentrate more fully on its biological businesses, the areas where the most growth and profitability are anticipated. Hycel's profitability in the past had been unpredictable and significant research costs were expected for the development of new instruments to keep pace with advancing technology. The Company received $1,075,000 for the sale and repayment of all intercompany loans. The loss on the sale of $307,000 was included in the results of the first quarter of fiscal 1992.

Net Earnings.

Earnings before income taxes increased $428,720 from $685,658 in the third quarter of fiscal 1991 to $1,114,378 in the third quarter of fiscal 1992. Earnings before income taxes for the nine months increased $273,189 from $1,352,691 to $1,625,880.

The increase in earnings before income taxes for the quarter is mainly the result of the increase in R & D's earnings of $519,723 offset by the loss of Hycel earnings. Hycel earnings for the third quarter of fiscal 1991 were $73,340. The increase in R & D's earnings was a result of a $657,193 increase in Biotechnology earnings for the quarter ended March 31, 1992 due to a 107% increase in Biotechnology sales, partially offset by higher cost of sales and expenses. Hematology earnings decreased $137,470 for the quarter ended March 31, 1992, due to a 6% decrease in sales and a slight increase in research expenses.

The increase in earnings for the nine months is the result of a $900,512 increase in R & D's earnings offset by the one-time $307,000 loss on the sale of Hycel and the loss of Hycel earnings in the second and third quarters of fiscal 1992. Hycel earnings for the second and third quarters of fiscal 1991 were $254,840. Biotechnology earnings for the nine months ended March 31, 1992 increased $965,986 due to a 106% increase in sales partially offset by higher cost of sales and expenses. Hematology earnings decreased $65,474 for the nine months ended March 31, 1992 due mainly to increased research expenses.

Federal and state income taxes are provided at the rate of approximately 34% of domestic earnings of $1,976,596 for the nine months ended March 31, 1992 as a result of the credit for research and development expenditures. In addition, $94,000 of federal and state income taxes were provided for in the first quarter of fiscal 1992 for the anticipated tax gain on the sale of Hycel.

Impact of Inflation

The majority of the Company's increase in sales has resulted from an increase in units shipped and the introduction of new products, not from price increases. The Company believes that, to date, inflation has had no appreciable effect on the Company's operations.

Liquidity and Capital Resources

At March 31, 1992, cash on hand was $3,889,794 compared to $1,979,738 at June 30, 1991. Management of the Company believes it can meet its future cash and working capital requirements for currently planned operations and capital additions through available cash and cash generated from operations.

Cash Flows From Operating Activities.

The Company generated $2,124,503 from operating activities in the first nine months of fiscal 1992 compared to $958,776 for the first nine months of fiscal 1991. The majority of this increase in cash flows from operating activities resulted from an increase in earnings after adjustment for noncash expenses. In addition, inventories were reduced and trade and other payables were increased.

Cash Flows From Investing Activities.

The Company paid $81,166 for legal and other professional fees related to the Amgen acquisition during the nine months ended March 31, 1992. The Company also received $1,000,575 cash net of disposition costs for the sale of Hycel during the nine months ended March 31, 1992. In addition, the Company invested $677,628 in six month certificates of deposit and other short term investments.

Capital additions were $542,172 (including $160,000 from the Amgen acquisition) for the first nine months of fiscal 1992 compared to $780,996 for the first nine months of 1991. The major additions were for laboratory and computer equipment. Total capital additions of leasehold improvements, laboratory instrumentation and equipment and computer equipment planned for the remainder of fiscal 1992 are expected to cost approximately $500,000 and are expected to be financed through currently available cash and cash generated from operations.

Cash Flows From Financing Activities.

The Company has an unsecured line of credit of $750,000. The interest rate on the line of credit is at 1/4% over prime. The Company has also issued a standby letter of credit for 1,500,000 French franc (approximately $250,000) for the benefit of Lisabio, the purchaser of Hycel, to cover any contingent liabilities related to legal or tax matters that existed prior to October 1, 1991. The letter of credit will expire on December 31, 1994.

Cash of $246,175 and $128,189 was used to reduce long-term borrowings in the first nine months of fiscal 1992 and 1991, respectively. Net cash of $78,657 and $127,878 was received on short-term notes during the same periods.

Cash of $251,896 and $51,998 was received during the nine months ended March 31, 1992 and 1991, respectively, for the issuance of 292,726 and 64,504 shares of common stock, respectively. During the nine months ended March 31, 1992 and 1991, 2,017 and 9,091 shares of common stock totaling $13,995 and $25,000, respectively were issued to the Company's Stock Bonus Plan for the fiscal year 1991 and 1990 contributions. In addition, the Company repurchased 23,103 shares of common stock for $159,554 during the nine months ended March 31, 1992. These shares were also contributed to the Company's Stock Bonus Plan in payment of the remainder of the fiscal 1991 contribution.

In connection with the Amgen acquisition, the Company issued to Amgen Inc. 320,000 shares of common stock and a six-year, 7% convertible debenture in the amount of $2 million. Interest on the debenture is due quarterly with the principal due in August 1997. The debenture is convertible into shares of the Company's common stock at $9.375 per share.

The Company has never paid dividends and has no plans to do so in fiscal 1992 as the Company's credit facility prohibits payment of cash dividends. The Company's earnings will be retained for reinvestment in the business.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

NONE

ITEM 2 - CHANGES IN SECURITIES

NONE

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

NONE

ITEM 5 - OTHER INFORMATION

NONE

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

NONE

B. REPORTS ON FORM 8-K

NONE

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TECHNE CORPORATION
(Company)

Date: May 12, 1992

Thomas E. Oland

Thomas E. Oland
President (Chief Executive
and Financial Officer)

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① 35703

MANUALLY EXECUTED

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

T92.2266

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number 33-33136-D

TRI-NEM, INC.
(Exact name of registrant as specified in charter)

PROCESSED BY

MAY 14 1992

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Delaware
r other jurisdiction of
.ation or organization)

87-0461856
(I.R.S. Employer
Identification No.)

L30

897 South Artistic Circle, Springville, Utah
(Address of principal executive offices)

84663
(Zip Code)

(801) 489-7370
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No

As of March 31, 1992, the Company had outstanding 3,500,000 shares of common stock, par value $0.001 per share.

Page 1 of 13 consecutively numbered pages.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS REQUIRED BY FORM 10-Q

Tri-Nem, Inc. (the "Company"), files herewith balance sheets of the Company as of March 31, 1992, and December 31, 1991, and the related statements of operations, stockholders' equity and cash flows for the three month periods ended March 31, 1992 and 1991, and for the period from December 21, 1988 (inception) through March 31, 1992. In the opinion of management of the Company, the financial statements reflect all adjustments, all of which are normal recurring adjustments, necessary to fairly present the financial condition of the Company for the interim periods presented. The financial statements included in this report on form 10-Q should be read in conjunction with the audited financial statements of the Company and the notes thereto included in the annual report of the Company on form 10-K for the year ended December 31, 1991.

A PARTNERSHIP OF
PROFESSIONAL CORPORATIONS

R. Gordon Jones, CPA, PC
Mark F. Jensen, CPA, PC

Jones Jensen
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of Certified Public Accountants
Utah Association of Certified Public Accountants
SEC Practice Section
Private Companies Practice Section

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tri-Nem, Inc.

The accompanying balance sheet of Tri-Nem, Inc. (a development stage company), as of March 31, 1992, and the related statements of operations, stockholders' equity and cash flows for the three months then ended and the three months ended March 31, 1991 and from inception on December 21, 1988 through March 31, 1992 were not audited by us and, accordingly, we do not express an opinion on them.

The accompanying balance sheet as of December 31, 1991 was audited by us and we expressed an unqualified opinion on it in our report dated March 2, 1992.

Jones, Jensen & Associates
Jones, Jensen & Associates
April 24, 1992

TRI-NEM, INC.
(A Development Stage Company)
Balance Sheets

ASSETS

	(Unaudited) March 31, 1992	December 31, 1991
CURRENT ASSETS		
Cash in Bank	$ 5,407	$ 6,906
Total Current Assets	5,407	6,906
DEFERRED CHARGES		
Organization Costs (Net of Accumulated Amortization of $357 and $330, respectively)	193	220
Total Deferred Charges	193	220
TOTAL ASSETS	$ 5,600	$ 7,126

The accompanying notes are an integral part of these financial statements.

TRI-NEM, INC.
(A Development Stage Company)
Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	(Unaudited) March 31, 1992	December 31, 1991
CURRENT LIABILITIES		
Accounts Payable	$ 150	$ 300
Taxes Payable	-	100
Total Current Liabilities	150	400
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 3,500,000 shares issued and outstanding	3,500	3,500
Capital in Excess of Par Value	16,446	16,446
Deficit Accumulated During The Development Stage	(14,496)	(13,220)
Total Stockholders' Equity	5,450	6,726
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,600	$ 7,126

The accompanying notes are an integral part of these financial statements.

TRI-NEM, INC.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 1992	For the Three Months Ended March 31, 1991	From Inception on December 21, 1988 through March 31, 1992
REVENUE	$ -	$ -	$ -
EXPENSES			
Accounting	825	950	3,865
Amortization	27	27	357
Bank Charges	-	-	26
Filing Fees	300	705	3,915
Legal and Professional	121	232	3,410
Office Expense	-	-	1,131
Taxes	3	72	833
Travel	-	-	959
Total Expenses	1,276	1,986	14,496
NET (LOSS)	$ (1,276)	$ (1,986)	$ (14,496)
(LOSS) PER SHARE	$ (Nil)	$ (Nil)	$ (Nil)

The accompanying notes are an integral part of these financial statements.

TRI-NEM, INC.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 1992	For the Three Months Ended March 31, 1991	From Inception on December 21, 1988 through March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss)	$ (1,276)	$ (1,986)	$ (14,496)
Organization Costs	-	-	(550)
Amortization	27	27	357
Increase (Decrease) in Current Liabilities	(250)	-	150
Net Cash (Used) by Operating Activities	(1,499)	(1,959)	(14,539)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale of Common Stock	-	-	40,000
Increase in Deferred Offering Costs	-	-	(20,054)
Net Cash Provided (Used) by Financing Activities	-	-	19,946
NET INCREASE (DECREASE) IN CASH	(1,499)	(1,959)	5,407
CASH AT BEGINNING OF PERIOD	6,906	12,597	-
CASH AT END OF PERIOD	$ 5,407	$ 10,638	$ 5,407

Supplemental Disclosures of Cash Flow Information

Cash paid during period for:			
Interest	$ -	$ -	$ -
Income Taxes	-	-	-

The accompanying notes are an integral part of these financial statements.

TRI-NEM, INC.
(A Development Stage Company)
Statement of Stockholders' Equity
(Unaudited)

	Common Stock	Capital in Excess of Par Value	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance at Inception on December 21, 1988	$ -	$ -	$ -	$ -
Net loss from inception on December 21, 1988 through December 31, 1988	-	-	-	-
Balance, December 31, 1988	-	-	-	-
Issuance of 3,000,000 shares of common stock to officers and directors for $.005 per share on January 6, 1989 (Note 5)	3,000	12,000	-	15,000
Net loss for the year ended December 31, 1989	-	-	(798)	(798)
Balance, December 31, 1989	3,000	12,000	(798)	14,202
Issuance of 500,000 shares of common stock for $.05 per share on July 3, 1990 net of stock offering costs	500	4,446	-	4,946
Net loss for the year ended December 31, 1990	-	-	(6,321)	(6,321)
Balance, December 31, 1990	3,500	16,446	(7,119)	12,827
Net loss for the year ended December 31, 1991	-	-	(6,101)	(6,101)
Balance, December 31, 1991	3,500	16,446	(13,220)	6,726
Net loss for the three months ended March 31, 1992	-	-	(1,276)	(1,276)
Balance, March 31, 1992	$ 3,500	$ 16,446	$ (14,496)	$ 5,450

TRI-NEM, INC.
(A Development Stage Company)
Notes to Financial Statements
March 31, 1992

NOTE 1 - Summary of Significant Accounting Policies

a. Organization

The financial statements presented are those of Tri-Nem, Inc., a development stage company. The Company was incorporated in the State of Delaware on December 21, 1988. The Company was incorporated for the purpose of providing a vehicle which could be used to raise capital and seek business opportunities believed to hold a potential for profit. The Company has not presently identified a specific business area or direction that it will follow. Therefore, no principal operations have yet begun.

b. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a calendar year end.

c. Organization Costs

Organization costs are amortized over a period of sixty (60) months using the straight-line method.

d. Loss Per Share

The computations of loss per share of common stock are based on the weighted average number of shares outstanding at the date of the financial statements.

e. Income Taxes

The Company has not accrued income taxes because it has incurred losses since its inception.

f. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

TRI-NEM, INC.
(A Development Stage Company)
Notes to Financial Statements
March 31, 1992

NOTE 2 - Compensation - Officers and Directors

Officers and directors will be compensated for out of pocket expenses only. No compensation will be paid to officers or directors unless and until the Company locates and engages in a business opportunity which requires an extensive time commitment from the officers and directors.

NOTE 3 - Related Party Transaction

The Secretary is providing offices for the Company at no charge.

NOTE 4 - Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, $0.001 par value. The certificate of incorporation provides that the shares of preferred stock may be issued in one or more series as designated by resolution of the board of directors, and each such series shall have such rights, preferences, privileges, and powers as shall be determined by the board of directors. These may include participation in dividends, participation in the assets of the Company following liquidation, the right to more or less than one vote with respect to matters submitted to shareholders for their consideration, the right to convert shares of preferred stock into common stock or other securities of the Company, and the right to redeem the preferred stock for cash, securities or other property of the Company.

There are currently no shares of the Company's preferred stock issued and outstanding, and the Company has no intention of issuing any shares of preferred stock at the present time.

NOTE 5 - Issuance of Stock to Officers and Directors

The Company issued 3,000,000 shares of common stock to its officers and directors for $0.005 per share on January 6, 1989. The total proceeds were $15,000.

NOTE 6 - Public Offering of Common Stock

The Company completed an offering of 500,000 shares of its previously authorized but unissued common stock to the public. An offering price of $0.05 per share was arbitrarily determined by the Company. The costs of the public offering were offset against the proceeds from the offering.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

At March 31, 1992, the Company had tangible assets in the form of cash in the amount of $5,407 and liabilities of $150, as compared to assets of $6,906 and liabilities of $400 as of December 31, 1991. The decrease in assets is the result of payments of general and administrative expenses during the first quarter of 1992.

The Company conducts no active business operations and is seeking to become involved in active operations through the acquisition of or participation in a business enterprise. It is anticipated that if the Company locates such an enterprise, its existing funds will be applied to the operations of such enterprise and/or utilized to pay the costs of completing the transaction. As of the date hereof, the Company has not entered into any agreement with respect to the acquisition of or participation in a business enterprise.

Results of Operations

The Company's principal activities from inception through the quarter ended March 31, 1992, were its organization and the completion of its stock offering pursuant to a registration statement on Form S-18. The Company has not generated any significant revenues since inception, and has incurred general and administrative expenses for legal and accounting services, office supplies, taxes, and other items. The Company incurred total expenses of $1,276 for the three months ended March 31, 1992, as compared to expenses of $1,986 for the three months ended March 31, 1991.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings and, to the best of its knowledge, its properties are not the subject of any such proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

No exhibits are being filed with this report.

REPORTS ON FORM 8-K

The Company did not file any reports on form 8-K during the quarter ended March 31, 1992. 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRI-NEM, INC.

Dated: May 6, 1992

By

John F. Nemelka, Secretary
(Principal Accounting and
Financial Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

U92-2264

X QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE **QUARTER ENDED MARCH 31, 1992**

Commission File Number 0-17963

U. S. ENVIRONMENTAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**11-2867201**
(State of Incorporation)	(IRS Employer Identification No.)

300 Woodcleft Avenue
Freeport, New York **11520**
(Address of principal executive offices) (Zip Code)

(516) 546-1500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $.0001 Par Value - 29,839,164 As of March 31, 1992

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PART I - FINANCIAL INFORMATION

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)

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U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED BALANCE SHEETS
September 30, 1991 and March 31, 1992

ASSETS

	March 31, 1992	September 30, 1991 (Audited)
Current assets		
Cash	$ 60,504	$ 9,604
Accounts Receivable	-0-	-
Subscriptions Receivable	-0-	-
Prepaid Expenses	-0-	2,142
Total Current Assets	$ 60,504	11,746
Property and equipment		
Furniture and fixtures	5,967	5,967
Plant and Equipment	-0-	-0-
	5,967	5,967
Less accumulated depreciation	4,175	3,579
	1,792	2,388
Other Assets		
Securities	250,000	250,000
License agreements (net of accumulated amortization of $219,432, September 30, 1991, and 278,040, March 31, 1992)	2,066,287	2,124,895
Patent (net of accumulated amortization of $104,352 September 30, 1991 and $139,130 March 31, 1992)	985,872	1,020,648
	3,302,159	3,395,543
Total Assets	$3,364,455	$3,409,677

The accompanying notes are an integral part of these financial statements

LIABIITIES AND SHAREHOLDERS'EQUITY

	March 31, 1992	September 30, 1991 (Audited)
Current liabilities		
Accounts Payable and Accrued Expenses	$ 73,847	$ 126,532
Notes payable - Bank	-0-	8,000
Notes Payable Related Parties	74,083	71,033
Total Current Liabilities	147,930	205,565
Longterm liabilities		
Convertible Notes Payable	149,000	194,000
	149,000	194,000
	296,930	399,565
Commitment		
Common Stock Subject to Redemption Recission	250,000	250,000
Stockholders'equity		
Common stock,.0001 par value shares issued and outstanding 34,815,166 (including 500,000 redeemable common shares) (September 30, 1991) and 29,839,163 (including 500,000 redeemable common shares) as of March 31, 1992	2,983	3,432
Capital in excess of par value	4,248,577	4,925,466
Deficit accumulated during development stage	(1,434,035)	(1,301,519)
Less: Treasury stock, 6,000,000 shares	-	(867,267)
Total shareholders' equity as of September 31, 1991 and March 31, 1992	2,817,525	2,766,112
Total liabilities and shareholders' equity	$3,364,455	$3,409,677

The accompanying notes are an integral part of these financial statements

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and six month periods ending

	For the Three Months Ended March 31, 1991	1992
Development stage expenses		
General and administrative	$164,394	$ 6,236
Depreciation and amortization	73,595	47,238
Interest Expense	5,376	3,450
Total development stage expenses	243,365	56,924
Less - Revenue from demonstration fees	50,000	--
Revenue Generated by Debt Forgiveness	--	(9,344)
Net development stage expenses	193,305	47,580
Net Loss	$(193,305)	$(47,580)
Per share data		
Net Loss	($.007)	($.002)
Weighted average number of common shares outstanding	27,024,700	29,772,496

	For The Six Months Ended March 31 1991	1992
Development stage expenses		
General and administrative	$ 239,631	$ 38,778
Depreciation and amortization	142,034	94,229
Interest Expenses	5,376	8,853
Total development stage expense	337,041	141,860
Less - Revenue from demonstration fees	50,000	--
Revenue Generated from Debt Forgiveness	--	9,344
Net Development stage expenses	337,041	132,516
Investment income	-	-
Net Loss	($ 337,041)	($ 132,516)
Per share data		
Net Loss	($.013)	($.004)
Weighted average number of common stock outstanding	26,554,700	31,016,497

The accompanying notes are an integral part of these financial statements.

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY

(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended March 31 1992	For the Year Ended September 30 1991 (audited)
Cash flows used in operating activities		
Net Loss	($132,516)	($624,085)
Adjustments to reconcile net loss to net cash in operating activities		
Loss on abandonment	-	-
Depreciation and amortization	94,229	287,997
Issuance of common stock for services		81,018
Change in operating assets and liabilities	(40,949)	30,003
Debt Forgiveness	9,344	-
	62,624	398,818
Net cash used in operating activities	(69,892)	(225,267)
Cash flows from investing activities		
Capital expenditures	-	-
(Increase) decrease other assets	-	24,635
(Increase) decrease in security deposits	-	21,000
Purchase of license agreement	-	-
Net cash used in investing activities	-	25,635
Cash flows from financing activities		
Net proceeds (repayments) from short-term borrowings	(5,000)	(567)
Issuance of common stock, net of offering costs	145,000	5,000
Proceeds from issuance of convertible notes	-	199,000
Net cash provided by financing activities	140,000	203,433
Increase (decrease) in cash	70,108	3,801
Cash at beginning of period	9,604	5,803
Cash at end of period	$60,504	$ 9,604

The accompanying notes are an integral part of these financial statements

U.S. ENVIRONMENTAL, INC.
STATEMENTS OF SHAREHODLERS' EQUITY
PERIOD ENDING MARCH 31, 1992

	Common Stock		Capital In Excess of Par Value	Deficit Accumulated During Development Stage	Treasury Stock	Subscription Receivable	Total
	Shares Issued and Outstanding	$.0001 Par Value					
Initial issuance of common stock February 18, 1988 (Inception) through July 31, 1988	2,025,000	$ 203	$ 5,097				$ 5,300
Net loss - February 18, 1988 (Inception to September 30, 1988) (*)							
Balances, September 30, 1988	2,025,000	203	5,097				5,300
Sale of common stock with redeemable warrants in August, 1989	1,000,000	100	49,900				50,000
Costs incurred in connection with issuance of common stock			(9,800)				(9,800)
Shares issued by U.S.Environmental, Inc. in connection with pooling of interest	20,000,000	2,000	359,608			($25,000)	336,608
Net loss, year ended September 30, 1989				($195,462)			(195,462)
Balances, September 30, 1989	23,025,000	2,303	404,805	(195,462)		(25,000)	186,646
Shares donated	(1,000,000)	(100)	100				
Shares issued in exchange for warrants	1,000,000	100	(100)				
Issuance of treasury stock	3,000,000	300			(300)		
Shares issued in exchange for securities (subject to mandatory redemption)	500,000	50					
Shares issued for patent rights	300,000	30	1,124,970				1,125,000
Shares issued for plant and equipment	200,000	20	999,980				1,000,000
Shares issued for license agreement	400,000	40	1,999,960				2,000,000
Shares issued for services	58,700	6	994				1,000
Shares issued for cash	1,000		500				500
Collection of subscription receivab'e			1,500			25,000	26,500
Net loss, year ended September 30, 1990				(481,972)			(481,972)
Balances, September 30, 1990	27,484,700	2,699	4,532,709	(677,434)	(300)	$ -0-	3,857,674
Issuance of treasury stock	13,000,000	1,300			(1,300)		
Shares issued for services	2,775,000	277	82,913				83,190
Shares issued for license agreement	1,500,000	150	299,850				300,000
Conversion of note payable	35,164	4	4,996				5,000
Shares issued for cash	20,000	2	4,998				5,000
Cancellation of treasury stock	(10,000,000)	(1,000)			1,000		
Acquisition of treasury stock in exchange for plant and equipment,200,000 shares					(866,667)		(866,667)
Other	300						
Net loss, year endind September 30, 1991				(624,085)			(624,085)
Balances, September 30, 1991	34,815,166	3,432	4,925,466	(1,301,519)	(867,267)		(2,760,112)
Cancellation of Treasury Stock	(6,000,000)	(600)			600		
Return of Shares issued for a signing bonus	(250,000)	(25)					(25)
Shares issued for cash	200,000	20	19,980				20,000
Shares issued for services	250,000	25					25
Shares issued for cash	750,000	75	124,925				125,000
Retirement of Treasury shares	(200,000)	(20)	(866,647)		866,647		
Conversion of Notes payable	140,664	14	19,986				20,000
Net Loss for the 1st six months of 1992	--	--	--	(132,516)			(132,516)
Conversion of Note Payable	133,333	13	24,987	--			25,000
Balances March 31, 1992	29,839,163	2,983	4,248,577	(1,434,035)	-0-	-0-	$2,732,593

(*) There were no results of operations for the period February 18, 1988 (Inception) to September 30, 1988.

The accompanying notes are an integral part of these financial statements.

U. S. ENVIRONMENTAL, INC.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended September 30, 1992.

Revenue recognition

The Subsidiary will recognize revenue upon the sale of its technology to end users as well as through sub-license agreements.

Net loss per share

Net loss per share is computed based on the average number of common shares outstanding during each period. Fully diluted loss per share amounts are not presented for each period because they would be anti-dilutive.

Patent

The cost of a patent is being amortized over the remaining estimated economic life of sixteen years. Amortization expense charged to operations was $52,734 and $34,774 for the year ended September 30, 1991 and the six months ended March 31, 1992, respectively.

Securities

Securities at March 31, 1992 consist of 500,000 shares of restricted securities in Waste Technology Corp. common stock. The investment in the subject company is less than a 20% interest, and is carried at cost. Dividends, if any, received from the public company will be included in other income. These securities are subject to a stock redemption through March 26, 1992. The Company has not, as of the date of this report, received notification from Waste Technology Corp. of its intention to redeem these securities. The Company has nevertheless reserved against these securities. (See commitment)

Statement of cash flows

For purposes of the statements of cash flows, the Companies consider all time deposits with maturities of three months or less as cash equivalents.

2. LICENSE AGREEMENT

The Company has entered into a twenty year amended and restated license agreement with Geotech Development Corporation (Geotech) on October 13, 1989 for the sole use of their technology regarding a solid waste melt-all fusion process. The agreement is renewable at the end of the initial period in perpetuity for successive twenty year periods at the licensee's option. As consideration for the license, Geotech was paid $14,000 and an additional $30,327 was paid to consultants, on Geotech's behalf, to transfer the technology. In addition, there were 2,370,249 shares of common stock of the Parent issued to Geotech in the fiscal year ended September 30, 1990.

The Company, on May 31, 1990, amended its License Agreement with Geotech, whereby the Company issued to Geotech 400,000 shares of common stock valued at $5.00 per share, as consideration for the reduction of royalty fees from 20% to 5%. Under the terms of the Agreement, royalty fees due the licensor will be 5% of total receipts, as defined in the Agreement.

The License Agreement, which has been valued at $2 million, is included in other assets and is being amortized over a period of 20 years on a straight-line basis. The amortization expense for the year ended September 30, 1991 was $100,000 and for the three months ended December 31, 1991 was $25,000.

On October 18, 1991, the Company entered into the Third Amendment to the Amended and Restated License Agreement, effectively giving Geotech the non-exclusive right to build plants in a limited geographical area of the United States for their account or as joint venture partners under a series of restrictions. Geotech may not sublicense under the Agreement. U. S. Environmental, Inc. under this Amendment will receive 5% of the license and input fees received by Geotech on these plants.

The Company on December 17, 1990 purchased from AsbestoGuard International, Joint Venture, Melbourne, Australia a Master License for the exclusive use of the AsbestoGuard System in the United States of America to market, distribute, sell and/or sublicense to others throughout the territory the AsbestoGuard proprietary (patent pending) system for a 20 year term, plus a 20 year renewal option.

The Company paid the Licensor 1.5 million unregistered shares of its common stock, plus a 10% premium on the price of the product not to exceed $1.5 million. The AsbestoGuard System is a two coat sealant applied with an airless spray gun to rehabilitate asbestos-cement products. This License Agreement, which has been valued at $300,000 is included in other assets and is being amortized over a period of 20 years on a straight-line basis, commencing the second quarter of 1991. The amortization expense for the year ended September 30, 1991 was $11,250 and for the three months ended December 31, 1991 was $3,750.

3. NOTES PAYABLE

Short Term

Holder	Due Date	Interest Rate	Amount Sept.30, 1991	Amount March 31, 1991
Shareholders	6/18/92	18% *	$71,033	$73,833
Others	Demand		8,000	-0-
			$79,033	$73,833

* Interest due shareholders is waived through June 18, 1992, subject to payment on or before June 18, 1992

Longterm Convertible

The Company issued and sold $199,000 worth of Convertible Notes as a private placement. These Convertible Notes bear 11% interest and the interest is paid semi-annually with a two year maturity. These Notes are convertible into unregistered common stock of the Company at 75% of the bid price at the time of conversion. Through September 30, 1991, $5,000 of these Notes converted; through December 31, 1991, $25,000 of these Notes converted; and through March 31, 1992, $50,000 of these Notes converted.

4. COMMON STOCK

On October 25, 1991 the Board of Directors unanimously ratified Richard Varker as a Director and accepted the resignation of Carl Massara as President, Chairman of the Board and a Director of the Company. Mr. Massara, who since March has been unavailable to the Company at least 80% of his time, has stated he will be required to be in Florida most of the time in the foreseeable future and, for this reason as well as certain personal financial reasons, Mr. Massara tendered his resignation. The Board has accepted Mr. Massara's resignation and, accordingly, Mr. Massara has agreed to return to the Company his 250,000 shares signing bonus. The Directors have appointed Richard Varker, Vice President, to hold the office of President, pro tem until the Directors have an opportunity to permanently appoint someone to the office.

During the 1st quarter ended December 31, 1991, the Company completed two private placements. In October of 1991 the Company sold 200,000 shares of the Company's restricted common stock for $20,000 to four individuals, two of which were shareholders; and on December 18, 1991, the Company entered into an agreement with Noel Drago Associates, Freeport, new York, to purchase 750,000 shares of the Company's restricted common stock at $0.16-2/3 per share and an option to purchase up to an additional 750,000 restricted shares of common stock at the same price during the next six months. As part of this transaction, management resigned in favor of a management team assembled by Noel Drago Associates, whereby Noel Drago was appointed President.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(A) Liquidity and Capital Resources

The Company believes that for the next 12 months the Company should not have any liquidity needs in respect to its current operations which require minimal cash expenditures. However, there is no assurance that the Registrant may be successful in its planned business activities, and may require in the future additional funds from equity investment or debt financing from other sources in order to actively market the Company's licensed technologies or build its own plants.

Inflation has had no significant effect on the Company's operations or financial condition.

Financial Conditions

The Company's primary sources of funds to date have been proceeds from the sale of its securities, and nominal interest income on such proceeds. The Company has received $40,200 net of offering costs from the sale of 1,000,000 Units containing 1,000,000 shares of its common stock and 5,000,000 Warrants pursuant to a registration which was completed in August 1989. The Company's subsidiary received approximately $230,000 net of offering costs from two private placements of a total of 4,976,364 shares of its common stock during the last quarter of 1989. The Company raised an additional $199,000 net proceeds as a result of the convertible Note offerings. The Company completed a private placement of 750,000 shares of its restricted common stock at $.1667 per share for a total of $125,000 on December 18, 1991. The same group of individuals has an option to purchase an additional 750,000 shares for the same price during the next six months. Management has committed to exercise this option. In addition thereto, in the event that the Company sells any sub-licenses or earns income from joint-ventures, technology fees, or test demonstration fees, of which there is no assurance, the Company's financial condition should be improved.

(B) Results of Operations

The Company's net development stage loss for fiscal 1991 were $624,000 which includes $287,997 of depreciation as compared to the Company's development stage expenses for fiscal 1990 which were $481,972, and for the six months ended March 31, 1992, were $141,860 as compared to $387,041 for the 1st six months of fiscal 1991.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal actions, proceedings or litigations pending or threatened to the knowledge of the Company.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U. S. ENVIRONMENTAL, INC.
(Registrant)

By: (PRES.)
NOEL DRAGO, CHIEF EXECUTIVE
OFFICER, PRESIDENT, DIRECTOR

By:
JOHN H. SPOLETTI, CHIEF
FINANCIAL OFFICER, TREASURER
and DIRECTOR

Dated: